THE CURRENCY—SPECIE PAYMENTS.

# SPEECH

OF

# HON. JOHN SHERMAN,

OF OHIO,

IN

THE UNITED STATES SENATE,

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The Senate having under consideration the following resolution, reported from the Committee on Finance:

"*Resolved*, That it is the duty of Congress during its present session to adopt definite measures to redeem the pledge made in the act approved March 18, 1869, entitled 'An act to strengthen the public credit,' as follows: 'And the United States also pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin;" and the Committee on Finance is directed to report to the Senate, at as early a day as practicable, such measures as will not only redeem this pledge of the public faith, but will also furnish a currency of uniform value, always redeemable in gold or its equivalent, and so adjusted as to meet the changing wants of trade and commerce;"

The pending question being on the amendment submitted by Mr. FERRY, of Michigan, to strike out all after the word "resolved," and insert the following:

"That the Committee on Finance is directed to report to the Senate, at as early a day as practicable, such measures as will restore commercial confidence and give stability and elasticity to the circulating medium through a moderate increase of currency"—

Mr. SHERMAN said:

Mr. PRESIDENT, it was my purpose not to address the Senate until I had the benefit of the opinions of all Senators who wished to express their opinions; and then I proposed, in closing the debate, to state the general reasons that influenced the Committee on Finance to report this resolution. But as the Senator from Illinois [Mr. LOGAN] tells me he is not very well to-day, and other Senators are not prepared, I prefer, rather than cause delay, to state as best I can those reasons now.

And, sir, at the outset of my remarks I wish to state some general propositions established by experience, and the concurring opinions of all writers on political economy. They may not be disputed, but are constantly overlooked. They ought to be ever present in this discussion as axioms, the truth of which has been so often proven that proof is no longer requisite.

The most obvious of these axioms, which lies at the foundation of the argument I wish to make to-day, is that a specie standard is the best and the only true standard of all values, recognized as such by all civilized nations of our generation, and established as such by the experience of all commercial nations that have existed from the earliest period of recorded time. While the United States, as well as all other nations, have for a time, under the pressure of war or other calamity, been driven to establish other standards of value, yet they have all been impelled to return to the true standard; and even while other standards of value have been legalized for the time, specie has measured their value as it now measures the value of our legal-tender notes.

This axiom is as immutable as the law of gravitation or the laws of the planetary system, and every device to evade it or avoid it has, by its failure, only demonstrated the universal law that specie measures all values as certainly as the surface of the ocean measures the level of the earth.

It is idle for us to try to discuss with intelligence the currency question until we are impressed with the truth, the universality, and the immutability, of this axiom. Many of the crude ideas now advanced spring from ignoring it. The most ingenious sophistries are answered by it. It is the governing principle of finance. It is proved by experience, is stated clearly by every leading writer on political economy, and is now here, in our own country, proving its truth by measuring daily the value of our currency and of all we have or produce. I might, to establish this axiom, repeat the history of finance from the shekels of silver, "current money with the merchant," paid by Abraham, to the last sale of stock in New York. I might quote Aristotle and Pliny, as well as all the writers on political economy of our own time, and trace the failure of the innumerable efforts to establish some other standard of value, from the oxen that measured the value of the armor of Homeric heroes to the beautifully engraved promise of our day; but this would only be the hundred-times-told tale which every student may find recorded, not only in school-books, but in the writings of Humboldt, Chevalier, Adam Smith, and others of the most advanced scientific authorities. They all recognize the precious metals as the universal standard of value. Neither governments, nor parliaments, nor congresses can change this law. It defies every form of authority, but silently and surely asserts itself as a law of necessity, beyond the jurisdiction of municipal law.

Other mediums of exchange have been devised and are in general use, but their value is measured every moment by the true standard of the precious metals. And this standard will measure the value of your three sixty-five convertible, elastic, irredeemable bonds, and of any currency we may issue, before they are issued, the moment they are issued, and at every hour while they are in circulation. The ignorant and the credulous will measure their labor, their productions, and their property by that or any other standard you may devise; but the sagacious and prudent will test it by the specie standard. The barometer in Wall street will quote it by the specie standard, and every banker and broker will have more to do with fixing its daily changeable value than any of you. If we will only now recognize and act upon the fundamental truth that there is and can be but one true standard of value, and that the specie standard, we will have advanced a great way in the solution of the question upon which we are called upon to act.

The reasons for this are obvious. The innumerable wants of every civilized man, however moderate his income, demands the labor of thousands of persons. The slave who toiled for his daily bread and scanty clothing consumed more or less of the products of the labor and capital of an army of farmers, artisans, and capitalists, and the exchanges of all these productions can only be made by some recognized standard of value which will measure the value of a pin as well as of the highest production of art. This standard must be of intrinsic value, durable, divisible, easily transported, of universal use, and of the same qualities wherever found. Gold and silver alone unite all these qualities. To use the language of another:

Though far from invariable, the value of these metals changes only by slow degrees; they are readily divisible into any number of parts, which may be reunited

by means of fusion without loss; they do not deteriorate by being kept; their firm and compact texture makes them difficult to wear; their cost of production, especially of gold, is so considerable that they possess great value in small bulk, and can, of course, be transported with comparative facility; and their identity is perfect, the pure gold and silver supplied by Russia and Australia having precisely the same qualities with that furnished by California and Peru. No wonder, therefore, when almost every property necessary to constitute money is possessed in so eminent a degree by the precious metals, that they have been used as such from a very remote era. Their employment in this function is not ascribable to accident, to the genius of any individual, or to any peculiar combination of circumstances. It grew naturally out of the wants and necessities of society on the one hand, and the means of supplying them possessed by these metals on the other. They became universal money, as Turgot has observed, not in consequence of any arbitrary agreement among men, or of the intervention of any law, but by the nature and force of things.

Of late years much difficulty has grown out of the slightly varying value of silver and gold, as compared with each other, and the tendency of opinion has been to adopt gold alone as the standard of value. The United States has twice changed the relative value of these metals, and other modern nations have been driven to similar expedients. At the Paris monetary conference, held in 1867, which I had the honor to attend, the delegates of twenty nations represented agreed to recommend gold alone as the standard of value. The United States, and nearly all the commercial nations, have adopted this standard, and reduced the use of silver to a mere token coinage of less intrinsic value than gold, but maintained at par with gold by the right to be converted into gold at the will of the holder. So that for all practical purposes we may regard gold as the only true standard, the true money of the world, by which the value of all property, of all productions, of all credits, and of every medium of exchange, and especially of all paper money, is tested.

Specie, in former times, was not only the universal standard of value, but it was the general medium of all exchanges. In modern times this is greatly changed. Specie is still the universal standard of value, but it has ceased to be even the usual medium of exchange. The failure to distinguish between the standard of value and the medium of exchanges occasions many of the errors into which so many fall, and nearly every Senator who has spoken on one side of the question has fallen into this error. Specie has lost a portion of its sovereign power, for with the enormous increase of exchanges it was found that, valuable as it is, it is too heavy to transport from place to place as a medium of exchange. The perils of the sea, the dangers of theft and robbery, led to devices to substitute promises to pay gold in place of the actual gold.

In this way bills of exchange, drafts, promissory notes, checks, and like commercial paper came into use, so that now, even in this age of paper money, it is computed that fully 95 per cent. of all the exchanges in commercial cities is made by such promises to pay. Only 5 per cent., or one-twentieth part, of the payments in New York are made in money, and this chiefly in paper money and not in gold. If gold were now the only legal standard of value it would not be used as a medium of exchange for 1 per cent. of the transactions of daily life. The convenience, the portability of commercial paper and paper money has superseded gold as a medium of exchange, but has left it as the fixed, the only true standard of value, by which the value of all mediums of exchange is tested.

In England, where the specie standard of values is jealously maintained, and where no Bank of England note can issue beyond a prescribed limit except upon a deposit of an equal amount of gold, specie is not used as a medium of exchange to an amount exceeding 2 per

cent. of the aggregate payments. Ninety-eight per cent. of all payments is in commercial paper or bank-bills, but the fixed and unalterable standard of value of all this paper money was gold coin. Sometimes the daily payments in London alone exceed all the gold in Great Britain, but only about 1 per cent. is actually paid in gold, and about 5 per cent. in Bank of England notes. In France, until the recent German war, gold and silver were used more as a medium of exchange than in any country of our day. She had from 1868 to 1870 in circulation an amount of gold and silver greater than the aggregate of gold and silver of Great Britain, the United States, and Prussia. Her specie circulation amounted to $700,000,000. Driven by the necessities of that war she has substituted paper money amounting to $520,000,000 as a medium of exchange for the gold and silver formerly circulated, but with wise statesmanship she now maintains her present vast volume of paper money at or near par in gold. She has adopted another medium of exchange, but she maintains, in harmony with reason and experience, the gold standard of value.

All modern experience teaches the importance of the division of labor. Indeed that is the favorite topic of every writer on political economy. Every man to his trade, and if the trade can be subdivided into many specialties, then every man to his specialty. I was in the celebrated manufactory of steel pens of Mr. Gillott, and saw that it required the labor of thirty men and women to contribute to the making of this implement. Each one was skillful in his part, and this part was perfectly done, and this subdivision of labor and skill gave increased wages and value to the work of each laborer, secured a fortune to the owners, and a perfect pen to the world. The same law which demands a division of labor is applied to professional and scientific pursuits. The law has many specialties. The honors of science are only won by those who devote their mental faculties to one branch of study. The same law extends to all leading productions, as cotton, wool, wheat, corn, and gold.

The purposes for which each of these commodities is best fitted are established by experience. In this way the experience of centuries in former generations established gold both as the standard of value and the medium of exchange; but modern necessities have now established paper money, credit money, whether in the form of bills of exchange, checks, bank-bills, or notes of the State, as the best medium of exchange, leaving gold, however, as the best and only true standard of the value of all paper money, as well as of all commodities.

Now, it has often happened, not only in the United States, but in other countries, that credit money has proved worthless. This is an unavoidable incident of such money. So far as this money consists of checks or like credits it must depend upon the voluntary contracts of individuals. Each person is at liberty to accept or refuse all such mediums of exchange, and if he suffers a loss by the failure of a banker or broker it is his misfortune, for which the Government is not responsible, and can give him no relief, except the laws for the collection of debts. But a different rule applies to paper money issued by a State or by a corporation authorized by the State to issue money. Whether this money is a legal-tender or not, it is, by usage and custom, money, and its receipt and payment are practically as compulsory as if it was gold coin. No man can refuse it unless he is a capitalist, who may resort to the law to enforce payment in legal-tenders. The laborer must take it from necessity or get no employment. The merchant must take it or keep his goods. Usage in such matters is stronger

than law. It is this kind of money that it is the duty of the State to protect from depreciation and loss. It must secure it by the best security possible, and that security in every well-ordered government is the "public faith." Upon this principle Great Britain, France, and the United States have founded their financial systems.

But one other duty rests upon the government undertaking to issue, or to authorize the issue of paper money, and that is to maintain this paper money at the gold standard. Great Britain and France recognize this duty, and perform it. The United States recognizes its duty, but does not perform it. Our currency is founded upon the public faith. The public faith of the United States is pledged to pay United States notes in coin. The national-bank notes are amply secured by bonds more than sufficient to redeem them in coin; and yet they are all depreciated; now at 10 per cent. discount, to-morrow at 11, and yesterday at 8. It is the depreciation of our paper money that is the standing reproach of our financial system, which lies at the foundation of all our troubles, and to remedy which is now the most important and difficult duty of Congress.

Mr. President, thus far my remarks are founded upon the experience of ages, applicable to all countries and to all commercial nations of our time. I present them now as axioms of universal recognition. And yet I have heard these axioms denounced in this debate as "platitudes," useless for this discussion in the Senate of the United States. The wisdom of ages, the experience of three thousand years, the writings of political economists, are whistled down the wind as if we in this Senate were wiser than all who have reasoned and thought and legislated upon financial problems—that all this accumulated wisdom consists of "platitudes" unworthy to influence an American Senate in the consideration of the affairs of our day and generation.

Sir, I do not think so. If we disregard these "platitudes," we only demonstrate our own ignorance and punish our constituents with evils that we ought to avoid. I purpose now to pursue the argument further, and to prove that we are bound both by public faith and good policy to bring our currency to the gold standard; that such a result was provided for by the financial policy adopted when the currency was authorized; that a departure from this policy was adopted after the war was over, and after the necessity for a depreciated currency ceased; and that we have only to restore the old policy to bring us safely, surely, and easily to a specie standard.

First, I present to you the pledge of the United States to pay these notes in coin "at the earliest practicable period." In the "act to strengthen the public credit" passed on the 18th day of March, 1869, I find this obligation:

> And the United States also solemnly pledges its public faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

Without renewing the discussion in regard to the nature of these notes, or quoting the decision of the Supreme Court of the United States, or the declaration of the various acts of Congress from 1862 down, I rest upon this pledge of the public faith. Under what circumstances was it made? The condition of our currency, the obligation of our bonds, the nature of our promises, had been discussed before the people of the United States in the campaign of 1868; various theories had been advanced; and the result was that those who regarded the faith of the nation as pledged to pay not only the bonds of the United States, but the notes also, in coin prevailed, and General Grant was elected President of the United States. On the eastern

portico of the Capitol on the 4th of March, 1869, he made this declaration:

> A great debt has been contracted in securing to us and our posterity the Union. The payment of this principal and interest, as well as the return to a specie basis, as soon as it can be accomplished without material detriment to the debtor class or to the country at large, must be provided for. To protect the national honor every dollar of Government indebtedness should be paid in gold, unless otherwise expressly stipulated in the contract. Let it be understood that no repudiator of one farthing of our public debt will be trusted in public place, and it will go far toward strengthening a credit which ought to be the best in the world, and will ultimately enable us to replace the debt with bonds bearing less interest than we now pay.

The Congress of the United States, in order to put into form its sense of this obligation, passed the act "to strengthen the public credit," and the last and most important clause of this act is the promise which I have just read, that these notes should be paid "at the earliest practicable period" in coin.

What was the effect of this promise? Why, sir, I have here the daily register of the sales of our greenbacks in New York, because that is the legal effect of transactions in gold. We have called our false standard the true standard, by calling the dollar of our broken promises the standard of value, when every man of intelligence who bought and sold anything, even our own domestic products, knew that gold was the true standard, and measured our greenbacks by it. I have here the daily sales, and what do they show? On the day we made that promise, the 18th of March, 1869, the greenbacks, the notes of the United States, were worth 75¾ cents in gold; or, in other words, gold was at a premium of 32 per cent. That was the measure of the credit of these notes when we made this promise. It took nearly four dollars of greenbacks to buy three dollars of gold. What was the result? After you enacted that law—the faith of the people of the United States that you would redeem this pledge—the value of your greenbacks advanced, not rapidly but gradually, and in one year, to within 12 per cent. of par in gold.

Mr. BAYARD. Will the Senator permit me to ask him whether he does not consider, as a far more potential fact in producing the approximation of the paper issues to gold and silver, the decision of the Supreme Court of the United States, made early in 1870, than the act which he has just referred to?

Mr. SHERMAN. On the contrary I could show my honorable friend, if it was necessary to go into the quotations, that this rise occurred before the decision was made.

Mr. BAYARD. I merely suggest, as a matter of historical truth, that the decision of the Supreme Court of the United States, made by a majority of five to three of its judges, declaring that the issue of paper, and creating it a legal tender by Congress, was an unconstitutional exercise of power, had more to do with approximating the value of paper issues with gold than any resolution or act passed by the Congress of the United States, merely reiterating the faith which every one knew was pledged and existing when the notes were issued.

Mr. SHERMAN. Since my friend asks me a question, I am bound to answer it; and I say that I do not believe that decision had the slightest influence on the matter. We must judge of causes by results, and results show that the rise in the value of our notes occurred before the decision was made. The causes of the rise are not material to my argument. The fact is, that in one year from the time that promise was made the value of our greenbacks was over 89 cents in gold. I have here the quotations of the 18th of March, 1870, which give gold at a premium of 11⅞, so that a greenback in market value was

worth over 89 in gold. Thus, in a single year, from the 18th of March, 1869, to the 18th of March, 1870, the credit of the United States rose, so that the barometer of the money market, which you cannot control, measured the depreciation of your note at only 11 per cent. instead of 25 per cent. the year before.

Mr. President, we see, then, the effect of this promise. And I here come to what I regard as a painful feature to discuss—how have we redeemed our promise? It was Congress that made it, in obedience to the public voice; and no act of Congress ever met with a more hearty and generous approbation. But I say to you, with sorrow, that Congress has done no single act the tendency of which has been to advance the value of these notes to a gold standard; and I shall make that clearer before I get through. Congress made this promise five years ago. The people believed it and business men believed it. Four years have passed away since then, and your dollar in greenbacks is worth no more to-day than it was on the 18th of March, 1870; and no act of yours has even tended to advance the value of that greenback to par in gold, while every affirmative act of yours since that time has tended to depreciate its value and to violate your promise.

Mr. President, these are simple facts, although it may be painful for us to discuss them. I do not say that Congress, in this matter, disregarded the will of the people, because there was a public feeling against any measure which tended to advance the value of the greenbacks to the gold standard. I am not complaining of Senators or Members who represent their constituents, but I do say that the fact stands out as clear as light, that the Congress of the United States which made this promise has done no single act the tendency of which even leads one to suppose that it will ever redeem its promise.

Sir, let us see what has been done. We have paid $400,000,000 of the public debt, and we boast of it—of debt not due for years. We have paid to redeem that debt a premium of $40,000,000. In other words, we have paid $440,000,000 to redeem four hundred millions of debt not yet due, and we have not redeemed a single debt that was due in March, 1869; but, on the contrary, we have increased the kind of debts then due more in proportion than the increase of our population. And, sir, while our promise did advance the credit of our bonds and of our notes alike, and while the execution of that promise as to our bonds has advanced our bonds to above par in gold, yet we have done nothing whatever to redeem the second clause of that pledge; but, on the other hand, all we have done has been done with the intention and with the effect of depreciating the value of our notes.

Mr. MORTON. I ask the Senator to state what that pledge is.

Mr. SHERMAN. I will come to my construction of it in a moment. I have read it in full.

Mr. MORTON. I mean practically.

Mr. SHERMAN. I will answer your construction that emasculates our pledge in due time. The Senator will find that I shall not evade his question.

Mr. President, I am not here to find fault with individuals; but I do say that the Congress of the United States in the measures which have been adopted has not done what it ought to have done to redeem the pledge of the public faith to pay these notes in coin "at the earliest practicable period." Why, sir, at this moment we are living in daily violation of this pledge. I said a moment ago that instead of adopting measures looking toward specie payments we have increased the volume of our currency in every branch of it. Now let us

see if this be true. I have here a statement taken from the official report of the Secretary of the Treasury of the amount of the currency on the 30th of June, 1869. I cannot find a statement for the 1st of March, 1869, but it was the same, because it was fixed by law. I find on the 30th of June, 1869, we had three hundred and fifty-six millions of greenbacks, the same amount that we had on the 18th day of March. That was the maximum amount, as it was supposed, fixed by law. When the act of the 18th of March, 1869, was passed no one dreamed that there existed a power to issue forty-four millions more.

Our greenbacks were then $356,000,000. On the 1st of January, 1874, according to the last statement of the public debt, they were $378,481,339. We had, then, increased this form of our currency $22,481,000. And that is not all. Since that time, and up to the 10th of January, according to a New York newspaper—and I suppose it is correct—I find that the amount of legal-tender notes outstanding was $381,891,000, or an increase since the 1st of January of something like $3,400,000, or at the rate of $400,000 a day. Every dollar of this new issue of paper money directly tended to depreciate that outstanding and was in violation of the spirit and the provision of the law of 1869. I am not now speaking of the legal power of the Secretary of the Treasury to make this issue, because I have already given my opinion fully on this subject in an official report, but only to call your attention to the fact that by our acquiescence we have actually watered, debased, and depreciated by new issues the very notes we promised to pay in coin at the earliest practicable period.

Nor is this all. Under authority clearly conferred by law to the Secretary of the Treasury, we have increased the fractional currency from $27,508,928, at which it stood on the 30th of June, 1869, to $48,554,792, or an increase of fractional currency of $21,036,000. Again, sir, driven by a local demand which we could not resist, founded upon a palpable injustice growing out of the mistake of an officer of the Government long ago in the distribution of the national-bank circulation, we did authorize by law an increase of the bank circulation to the South and West to the amount of $54,000,000. The amount of bank-notes issued at the time we made this pledge was $299,789,000; and to-day the amount outstanding is $339,081,000, showing an increase in this kind of notes of $39,300,000, or an increase in the currency since the promise to pay it in coin at the earliest practicable period, and all legal tender in effect, of $82,317,000; and now this process of inflation is going on daily, first, by the issue of the balance of the forty-four million reserve, and secondly by the issue of new bank-notes as banks are organized under the act of July, 1870: and yet there is a cry for more, more.

Mr. MORTON. Will the Senator allow me a word right there?

Mr. SHERMAN. Yes, sir.

Mr. MORTON. I ask the Senator if the act of 1870, authorizing the increase of national-bank circulation $54,000,000, did not contain a provision that those national-bank notes should not be issued faster than the 3 per cent. certificates were retired, being confined to that limit; and if the 3 per cent. certificates at that time were not held by the banks as a part of their reserve, instead of greenbacks; and when the 3 per cent. certificates were retired in accordance with that act the greenbacks did not have to take their place, so that there was no increase, but, in fact, a contraction, equal to the amount of reserve the new banks would have to hold of the old greenbacks?

Mr. SHERMAN. Undoubtedly it is true that the bank-notes could only be issued as the 3 per cent. certificates, another form of Gov-

ernment indebtedness, were retired. But, sir, at the time the law of March 18, 1869, was passed, it was just as well known as at a later period that these 3 per cent. certificates were a demand indebtedness which the Government was expected to pay at its pleasure and its will. The Government could have paid the 3 per cent. certificates at any time with the money that was used for paying the bonded debt of the United States, and thus have advanced toward a specie standard.

Mr. MORTON. The Senator was speaking about inflation.

Mr. SHERMAN. I am speaking of the violation of the faith we plighted at the earliest practicable period to pay these notes in coin. We never have paid a dollar of them. We never have made provision for the payment of one of them. We have issued more of them, and compelled the people to take them. That is what I am getting at.

My honorable friend asked me a while ago what was the nature of the pledge made by the act of March, 1869, as to the time of payment of United States notes in coin. If I was defending a person charged as a criminal for violating this law, or one like it, I would claim, as the Senator from Indiana does, that as no time was fixed no man could be convicted for a penitentiary offense for a violation of the law. But what is this pledge? Let me read it again:

> And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the payment of the United States notes in coin.

What is the meaning of that? Does it not mean that the United States shall apply its means, its power, its energies, its revenue, its money, to redeem these notes? Does it mean a vague promise, such as party platforms sometimes use to deceive and mislead the people? Does it mean only a vague, indefinite promise by which business men are to be gulled and deluded into basing their contracts upon an artificial standard? No, sir; it is the promise of a great, proud, and rich people, who mean what they say—that every practicable means shall be used to that end.

Mr. BOUTWELL. Unless I misunderstood the Senator, the idea which he seemed to convey was this, that instead of applying the funds of the Treasury to the redemption of the 6 per cent. bonds, they should have been applied to the redemption of the 3 per cent. certificates.

Mr. SHERMAN. I did not say whether the Department acted wisely or not; I did not discuss that question; and I again say to the honorable Senator that I am not here at all to discuss whether he did the best thing that ought to have been done by paying the bonds as he did. On the whole the people are satisfied with what he did, and he will not dispute that the power to apply the surplus revenue to the payment of these 3 per cent. certificates existed every day and was a perpetual right.

Mr. BOUTWELL. But in the light of history may I be allowed to ask the Senator whether now he thinks that ought to have been done?

Mr. SHERMAN. I hope my friend will not press me, because I might express some opinions which would get up a controversy as to what might have been done by the executive authorities to advance our notes toward a specie standard. I am willing to take my share of the responsibility of results, for I certainly am guilty of aiding in the passage of the law to equalize the distribution of bank circulation by which there was an increase of bank-notes. I have no criticisms to make upon what was done by the executive authorities. What I say is, that Congress has not sufficiently kept in its view that obli-

gation approved by the people in 1868, and declared by Congress in 1869—that the United States would redeem, at the earliest practicable period, these notes in coin.

Now, sir, I ask, has it not been practicable at any time in the last four years to advance in some degree these notes toward the specie standard? My honorable friend from Indiana says that for the last four or five years we have had a time of unbounded plenty and great prosperity; we have built thousands and tens of thousands of miles of railroad; we have built furnaces; we have expanded our enterprises and proven our energy. Yes, sir; all this we have done. We have gone through a period of prosperity almost unexampled; but it seems we never were prosperous enough during all this time, according to the Senator from Indiana, to fulfill any part of this obligation which we made on the 18th of March, 1869. Sir, when will it be practicable? Was it when the Treasury was overflowing and we were seeking new outlets, new modes of expending money, new modes of paying debts not yet due? When will it be practicable, according to the Senator's construction? I press that question upon him, not for answer now, but let him say to the business men of the country when it will be practicable to restore the gold standard. If it cannot be done in seasons of plenty, of prosperity, of overflowing revenues, shall it be done in times of adversity and trial and tribulation? What condition of affairs would justify us in redeeming the sacred obligation which impels us to do it at the earliest practicable period?

Mr. MORTON. If the Senator will allow me, I will ask whether it is practicable to enter upon the work of resumption under the pressure of a panic, or whether it should be in good times?

Mr. SHERMAN. Was my friend from Indiana willing to do this when we had good times, and the Treasury was overflowing, and we were paying debts at the rate of one hundred millions a year? Was he ready a year ago to do it, when an earnest effort was made in the Senate in that direction? Can he state under what circumstances or conditions he will be ready to do it? I am of opinion that at any time since the promise was made steps could have been taken to have redeemed it, and that now, under the pressure of panic, when debts are greatly diminished, is a favorable time for entering, by decisive measures, upon the policy of resumption. But I suppose, according to the Senator's ideas, we are to issue more paper money, make more good times, start the ball of inflation, with a view that some time, may be, in the dim future, we will undertake to perform our promise.

But now let us come to the specific question of the time for resumption. Shall the redemption of this pledge be postponed until the public debt is paid? Why, sir, one-tenth of the money we have used to pay the public debt not due would have brought us to a specie standard. No one supposes that under an ordinary state of affairs the currency of the country—the greenbacks—need be reduced below three hundred millions in order to bring us to a specie standard. I have heard some of the ablest and most experienced business men of the country declare that whenever the right to convert greenbacks into gold or its equivalent was secured so that prudent men would see that the Government had the power to maintain its specie standard, there would be no reduction of the currency to any appreciable extent. But whether that be so or not, no one has claimed that the amount of greenbacks need be reduced below three hundred millions in order to bring that remaining three hundred millions up to the standard of gold. That would be a reduction of $56,000,000. Fifty-six millions of the money that we have applied to the payment of debt not

yet due would have brought all the remaining greenbacks up to par in gold, would have made our bank-notes convertible into the standard of gold, and we would have had, almost without knowing it, specie payment—a solid, safe, and secure basis. The forty millions of greenbacks we paid as premium for our bonds would have accomplished this result. Thousands of men who have been ruined by the false ideas that sprung from this fever-heated. depreciated paper money would be now useful. able, and successful business men, instead of being ruined by bankruptcy.

Sir, we gain nothing by postponing the fulfillment of our promise with a view to reduce the public debt. We have to pay the debt in coin anyway, and the same coin that pays it now would pay it after our currency has been restored to par. If the old idea of Mr. Pendleton had prevailed, that these bonds should be paid in greenbacks, then there would be a motive for us to depreciate the greenbacks in order to pay off our bonds at the cheapest rate. But this promise to pay in coin extended to the bondholder. We promised to pay the bondholder gold for his bond and the people gold for their greenbacks. We have fulfilled our promise to the bondholder. We have paid him in gold. We have bought the gold. We have paid him at a premium of 10 per cent. on our currency. Not a single effort, not a single measure, has succeeded in either House of Congress that looks to the redemption of the promise to the people who hold these greenbacks, and which measure their daily toil in their productive avocations. We cannot postpone this obligation until the payment of the public debt, because, although we have rapidly advanced in the payment of the public debt, it will be many long years before that "consummation most devoutly to be wished" will be reached.

Shall we postpone the redemption of our greenbacks until we can accumulate enough gold in our Treasury to pay them? We know the effect of that policy. Any attempt to accumulate great masses of gold in the Treasury will not only excite popular opprobrium. by holding idle in the vaults of the Treasury money that ought to draw interest, but it will create a stringency in the gold market. It will advance the value of the very thing we wish to get. Accumulate gold in great masses, and it will advance the price of gold all over the world. We could not now, with all our teeming productions, draw to this country $200,000,000 in gold without disturbing the Bank of France, the Bank of England, and all the money centers of the world. Therefore the idea of postponing the day of specie payments until we can accumulate enough gold to redeem the greenbacks would be the idlest, vainest delusion and the most foolish hope.

What then? Shall we postpone the payment of our notes in coin, shall we put off the fulfillment of our promise until the mysterious "balance of trade" is in our favor? There never was a greater humbug in the world than this idea of the balance of trade. Why, sir, the balance of trade is now largely in our favor. and according to this theory we ought now to be prosperous, happy, glorious. The balance of trade is in our favor; our exports exceed our imports; now we ought to be supremely happy. But a year ago the balance of trade was $100,000,000 against us. We sent our exports to Europe, it is true; but we imported silks and satins and wines. All the luxuries of the Orient, all the rich goods of every clime, came pouring into this country. The balance of trade was against us; and yet. according to the argument of my friend from Indiana yesterday, the last two or three years, when the balance of trade was against us, was a happy time, halcyon days. when we had prosperity in all branches of industry, and were building many thousands of miles of railroad every year.

Mr. President, this fallacy of the balance of trade ought not to enter into the calculations of prudent men. When the balance of trade is in our favor, it indicates thrift and economy. It shows we are exporting our surplus products and getting a fair price for them, and taking solid gold or paying debts in exchange for them, instead of silks and satins. But this is not conclusive evidence that when we are importing more than we are exporting we are necessarily carrying on a losing trade. These imports may be, in actual wealth-producing property, such as capital, machinery, or the like, more valuable to us than the burden of the interest we pay on the balance of trade. The whole theory depends upon the nature of the imports for which we run in debt. In this respect the balance of trade is precisely like the balance of trade between the merchant and the farmer. If the farmer buys less than he sells, he is surely on a safe footing. If he buys more than he sells, the result will depend entirely upon what he buys, whether luxuries consumed in the using or materials for actual productive improvements on his farm. If the latter, he is prosperous and happy, though "the balance of trade" may be against him. It is not a question of "balance of trade," but a question of prudence and judgment in the trade itself. Only a year ago I had a controversy with a fellow-Senator, who is now present, about this balance of trade. He insisted that when the balance of trade was against any nation it was an evidence of decay. I said this was a fallacy. He replied that no country could be prosperous unless the balance of trade was in its favor. I asked him if he thought Great Britain was a prosperous country, and he said it was a very prosperous country, and that the balance of trade was always in favor of Great Britain. We made a friendly bet on the subject, and it turned out that the balance of trade was against Great Britain to the tune of over $300,000,000 per annum, and had been for twenty years. By the fallacious theory of the "balance of trade" Great Britain was on the high road to ruin. Yet the whole of this balance of imports was in commodities sent to pay interest on English investments of foreign countries—profits of trade, and so forth. The profits of the trade were all in favor of Great Britain, which imported raw articles and exported high-priced productions, while the balance of trade only represented increased and increasing wealth, instead of ruin and poverty; so that all this talk about the balance of trade is the sheerest humbug.

Sir, there is no time unfit to fulfill a sacred obligation, and there has been no day since this obligation was declared by Congress when we should not have directed our attention toward redeeming it. The only question for Congress is to say with what rapidity they will advance toward specie payments. When you tell me you have the right to choose the time and the occasion, I say you have done nothing. You have buried your talent and are an unfaithful steward. I ask the honorable Senator from Indiana what single act of Congress, since this pledge was made, has even tended toward specie payments? Let him look over the statute-books, examine them all, and he will answer, none. I have sought in vain for any legislation, to show that Congress has been mindful of this obligation; I cannot find a single measure that even tended toward specie payments.

Now, sir, we are told that we are all for specie payments. Even my friend who now occupies the chair [Mr. Ferry, of Michigan] tells us he wants to issue one hundred millions more of paper money to prepare us for specie payments. He looks to specie payments as

the ultimate result of his one hundred millions. We are all for specie payments some time, may be. We are not in favor of it in times of plenty. We are not in favor of it in times of great prosperity. We are not in favor of it in view of the panic. When will we be in favor of it? That is the question that Senators ought to be prepared to answer to the business men of this country. There is not a man who buys and sells, who deals in exchanges, a banker or a broker, but measures daily the depreciation of your notes. He is compelled to take them, and he eagerly asks you, as you have promised to redeem them at the earliest practicable period, if you cannot fix the time, to state under what circumstances, under what condition of trade, under what condition of plenty, under what condition of surplus revenue, you will pay them.

Why, Mr. President, the very uncertainty of such an obligation, as it is now construed, would prevent the richest man in the city of New York from borrowing a dollar upon it. Mr. Astor, with his untold wealth, could not borrow a thousand dollars of any gentleman who now hears me upon a promise so vague and indefinite as you seek to make this. And yet the people of this country have been compelled to submit to a forced loan, and the business men of this country are compelled to take such paper as the standard of their values and of all values, when no living man can guess the time when, or the circumstances under which, this promise will be redeemed.

I say, therefore, that if the ideas of these gentlemen are to prevail in the Senate, they ought to tell the country when and under what circumstances they will redeem this promise. I say to Senators that if now, in this time of temporary panic, a great part of which, as I shall show you, has already passed over, we yield one single inch to the desire for paper money in this country, we shall pass the Rubicon, and there will be no power in Congress to check the issue. If you want forty millions now, how easy will it be to get forty millions again? If you want one hundred millions now, convertible into three sixty-five currency bonds, how soon will you want one hundred millions more? Will there not always be men in debt? Will not always men with bright hopes embark too far on the treacherous sea of credit? Will there not always be a demand made upon you for an increase? And when you have passed the Rubicon and have fulfilled the pledges you have already made to the people of the United States, where can you stop? Where our ancestors stopped at the close of the Revolution; where the French people stopped in the midst of their revolutionary fervor!

Sir, I regard it as the proudest achievement of the American people that so soon after the war they so faithfully and honorably redeemed their obligation to the bondholder. I demand the same honorable fulfillment of your promise to the note-holder. Now is the time to make the stand, not only to prevent any further violation of law and of our promise, but to retrace our steps and to give some decisive token that you will pay our paper money in coin, as we agreed to do.

This is all I desire to say in regard to this pledge of the public faith. But I wish to go a little further. I wish to show you that the policy of the country, adopted at the time these notes were issued, contemplated that they should be maintained at par in gold; that that policy was only temporarily abandoned under the pressure of war. The act of February 25, 1862, is the fundamental constitution of our present financial system. It was passed after the greatest deliberation in both Houses of Congress. It contains every principle and element of our whole financial system. There is not an idea advanced during

the war that operated successfully that is not contained in the act of February 25, 1862. That act provided for the issue of five-twenty bonds; it provided for the issue of the greenbacks; it provided for the issue of certificates of indebtedness; it provided that your internal taxes be paid in paper money and that your duties should be paid in gold; it established your sinking fund; it secured the interest on the public debt always to be paid in coin; it set aside the coin from customs-duty to pay it. That act provided that the greenbacks issued under it should be maintained as near at par in gold as possible during the war, but at all events at par with the best bond that could be issued by the Government of the United States.

Mr. HOWE. That was the act that made the note convertible into a bond?

Mr. SHERMAN. Yes, sir. I will ask the Secretary to read the stipulations that were made in regard to these notes. They will show how sacredly they were regarded and how carefully their security was watched.

The Chief Clerk read as follows:

And such notes herein authorized shall be receivable in payment of all taxes, internal duties, excises, debts, and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest as aforesaid. And any holders of said United States notes depositing any sum not less than fifty dollars, or some multiple of fifty dollars, with the Treasurer of the United States, or either of the assistant treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of 6 per cent. per annum, payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years from the date thereof. And such United States notes shall be received the same as coin, at their par value, in payment for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury, and be reissued from time to time as the exigencies of the public interests shall require.

Mr. SHERMAN. I have had this clause read to show you that the foundation of the greenback was coin. Although it could not at the moment, during the war, be converted into coin—for the wants of the Government were greater than all the coin of the United States, or perhaps than all the coin of the world, attainable during war—yet the Government based the whole upon coin. Every bond that was issued was issued only upon the sacred pledge contained in this act that the interest of that bond should be paid in coin; and the principal should be paid, when due, in coin. The fifth section of the act provides that all duties on imported goods shall be paid in coin; and that this money shall be set aside as a special fund to pay the interest on the bonded debt in coin. Then, in order to secure the greenbacks, it authorized any holder of a greenback to pay any Government debt with them; it authorized the holder of a greenback to pay any debt, public or private, with them; and every citizen of the United States was bound to take them. Then it authorized them to be converted into 6 per cent. bonds of the United States—those bonds payable, principal and interest, in gold. If the policy provided for by this act had been maintained, we would long since have been at specie payments, without any serious disturbance of our monetary affairs.

Mr. MORTON. If the Senator will allow me to ask him a question right there, I will ask him what act or determination of the Government it was that inflicted the greatest dishonor upon the greenback, that contributed more than anything else to its dishonor, if it has been dishonored?

Mr. SHERMAN. As I shall refer to all the acts that relate to the greenbacks, I shall no doubt come to the one that the Senator would pick out. He can take his choice.

Now, Mr. President, I come to show the Senate how this provision, the convertible clause of the act of February 25, 1862, was repealed. On the 3d of March, 1863, Congress passed "An act to provide ways and means for the support of the Government." This act was passed during the dark hours of the war. The currency of the country did not flow into the Treasury rapidly enough to pay our Army. I remember that at about the time this act was passed there were very large unpaid requisitions. The Secretary of the Treasury, instead of issuing any more 6 per cent. bonds, desired to float a ten-forty 5 per cent. bond; in other words, to reduce the burden of interest upon the public debt. At this time there were three hundred millions of circulation outstanding, and with all the rights and all the privileges conferred upon the greenbacks, they did not flow into the Treasury fast enough to furnish means to carry on the operations of the war. The Secretary reasoned somewhat in this way: he said that the holder of greenbacks had the right to convert them at any time into bonds bearing 6 per cent. interest; but as that right could be exercised at any time, the people were apt to postpone the exercise of it, and he believed it would advance the conversion of these notes into bonds by taking away the absolute legal right to convert. In other words, the suspension of this convertibility clause was passed with a view to promote conversion; to encourage conversion; to induce conversion; and, if possible, to induce a conversion into a 5 per cent. gold bond instead of into a 6 per cent. bond. When the Secretary of the Treasury presented this view to Congress he was at once met with the pledge of the public faith; with the promise printed upon the back of the greenbacks that they could be converted into 6 per cent. bonds at the pleasure of the holder; and that we could not take away that right. This difficulty was met by the ingenuity of the then Senator from Vermont, (Mr. Collamer.) He said that no man ever exercised a right which could not properly be barred by a statute of limitations; and if this right was injurious to the people of the United States, and prevented the conversion of these notes into bonds, we might require the holder of these notes to convert them within a given time; that we could give them a reasonable time within which they could convert them into 6 per cent. bonds, and after that take away the right.

The act of March 3, 1863, was amended by inserting this clause:

> And the holders of United States notes, issued under or by virtue of said acts, shall present the same for the purpose of exchanging the same for bonds as therein provided on or before the 1st day of July, 1863; and thereafter the right so to exchange the same shall cease and determine.

In reviewing the history of our times I am not sure but that in this we made a mistake. I am not sure but that it would have been better to submit to any sacrifice rather than palter with the public faith. If there was any wrong done by Congress at that time, I am willing to share the responsibility of it, although I felt at the time the danger of the measure. But, sir, under the pressure of war we could not consider as carefully as we can now all the obligations that rest upon us. The life of our country was at stake; every man's property was felt to be insecure if the Union was destroyed; everything was at stake; and we did a great many things in those times of peril and excitement and trial we would not like to do now. Thousands of men rushed to the battle-field and surrendered their lives; others

gave up their property; mothers their children. There were acts of heroism done at those times, and sometimes acts of wrong.

I am willing to take my share of the responsibility of the passage of this act; but casuists and theorists can demonstrate very easily that in this very act we laid the foundation of the long delay in the return to a specie standard. If the right to convert greenbacks into bonds had been retained as the permanent policy of the country during the war, then no man would have been bold enough or bad enough to take that provision away in time of peace. But mark, sir, while the legal right to convert notes into bonds was taken away, no one contemplated a denial of the actual conversion. The notes were still received par for par for bonds during the war and after the war was over. The right to convert them into a particular form of bonds, that is, the five-twenties, was denied; still they were converted at par into seven and three-tenths Treasury notes, into ten-forty gold bonds, and into every form of security except only the five-twenties. So that although we repealed the technical right to convert after a given time those notes into one class of bonds, we never did deny in practice the right to convert them into some form of interest-bearing security.

After the passage of the act of March 3, 1863, Secretary Chase believed that he could negotiate a ten-forty loan, and he tried to do it. One hundred million dollars were taken, and they were taken by the conversion of these notes, being received at par. Afterward we issued $830,000,000 of three-year Treasury notes bearing 7.3 per cent. currency interest, and when due convertible into 6 per cent. bonds; and they were sold at par in greenbacks. So that although the legal option of the note-holder to convert was taken away, yet in fact his right to convert existed except as to the five-twenty bonds. During the war, and up until 1866, there was no hour when any holder of greenbacks could not present them to the Treasury of the United States, or to any banker or broker, and buy some form of United States interest-bearing security at par.

After the passage of this act the five-twenties began to rise above par in currency. Then the measure of the value of the greenback was the ten-forty bond. When the Government again commenced issuing currency securities, seven and three-tenths notes, fearing to issue a larger amount of gold-bearing bonds, the greenbacks were allowed to be received at par for them.

Now, Mr. President, I have shown you that the greenbacks were based upon coin bonds; that they had the right to be converted into coin bonds; that that right was taken away as to the five-twenty bonds; but that, in practice and in effect, the greenback was convertible into an interest-bearing bond of the United States up to 1866, and until the passage of the law to which I will now refer.

My friend from Indiana [Mr. MORTON] inquires what law is the worst of all the laws we have passed in relation to the greenback.

Mr. MORTON. I did not say "law;" I said "what act of the Government."

Mr. SHERMAN. In my judgment more evil effects have resulted from the "act of the Government" passed on the 12th of April, 1866, than from any other act that was ever passed in regard to our financial system. Indeed, it is the only one that I desire to criticise.

Mr. President, what was the condition of affairs when the war was over? We had then outstanding every form of liability. We had 6 per cent. bonds; we had 5 per cent. bonds; we had seven-thirty bonds; we had certificates of indebtedness; we had two or three issues of green-

back notes; we had eight or ten different forms of Government securities. Then it was that Congress was called upon to make provision for funding this debt. At that time there was a large circulation; there were some forms of interest-bearing notes that were a legal tender for the principal; we had almost every class of securities. The act of the Government which was most injurious to the public credit was an act of omission and not an act of commission. If in the first session of Congress during Andrew Johnson's administration we could have passed a funding bill authorizing any holder of any form of Government security to convert them into a 5 per cent. bond, all the evils that have flowed out of our disordered currency would have passed away; the questions that afterward were raised that endangered the public credit never would have arisen; all this long agony of doing what we have promised to do, and never performing it, would have been avoided. If in December, 1865, after our soldiers had returned to their homes and the war was over, we had authorized any holder of any form of security, greenback or bond, to convert it at his pleasure, at his will, into some proper security of the United States, say a 5 per cent. bond, there would have been no difficulty. The condition of the public credit, the advancing credit of the nation, the triumph of our arms, all causes co-operated; but, sir, it could not be done. At that time came up the controversy between the President of the United States and Congress, and the fierce and angry passions that it excited, the eager debates, the bitter excitement, the *quasi* civil war that existed, prevented any consideration of our finances. Efforts were made at that time to pass some proper funding bill, but it was impossible to get public attention attracted to it. Congress would not look at it. Finally, after a debate of not over an hour in the Senate, and a short debate in the House, the act of April 12, 1866, was passed, conferring upon the Secretary of the Treasury a power that was never conferred upon mortal man before. I will ask the Secretary to read that act.

The Chief Clerk read as follows:

An act to amend an act entitled "An act to provide ways and means to support the Government," approved March 3, 1865.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the act entitled "An act to provide ways and means to support the Government," approved March 3, 1865, shall be extended and construed to authorize the Secretary of the Treasury, at his discretion, to receive any Treasury notes or other obligations issued under any act of Congress, whether bearing interest or not, in exchange for any description of bonds authorized by the act to which this is an amendment; and also to dispose of any description of bonds authorized by said act, either in the United States or elsewhere, to such an amount, in such manner, and at such rates as he may think advisable, for lawful money of the United States, or for any Treasury notes, certificates of indebtedness, or certificates of deposit, or other representatives of value, which have been or which may be issued under any act of Congress, the proceeds thereof to be used only for retiring Treasury notes or other obligations issued under any act of Congress; but nothing herein contained shall be construed to authorize any increase of the public debt: *Provided,* That of United States notes not more than $10,000,000 may be retired and canceled within six months from the passage of this act, and thereafter not more than $4,000,000 in any one month: *And provided further,* That the act to which this is an amendment shall continue in full force in all its provisions, except as modified by this act.

SEC. 2. *And be it further enacted,* That the Secretary of the Treasury shall report to Congress at the commencement of the next session the amount of exchanges made or money borrowed under this act, and of whom, and on what terms; and also the amount and character of indebtedness retired under this act and the act to which this is an amendment, with a detailed statement of the expense of making such loans and exchanges.

Mr. SHERMAN. Under the enormous powers conferred by this act the Secretary of the Treasury, Mr. McCulloch, adopted what is called the contraction policy; that is, he authorized the funding of all forms

of interest-bearing securities into 6 per cent. gold bonds of the United States, while he proposed to raise the greenback up to par in gold by contracting it by gradual stages limited by the law. This act, and the very first thing done under this act, separated forever the gold bonds of the United States from the legal-tenders, and abandoned all idea of the power, the right, and the practice to convert the greenback into a bond. I remember that the honorable Senator from Michigan [Mr. CHANDLER] and I tried to prevent the passage of this law. We tried hard to do it, and to excite public attention to it, but we could not. Everybody was then fighting Andrew Johnson. And so, sir, this law was passed after a brief debate, and all this enormous power was conferred upon the Secretary of the Treasury. The law did not even stipulate what bond it should be, whether it should be a forty or twenty year bond, or whether it should run five years. The only limitation was that the rate of interest on the gold bond should not be over 6 per cent., but no duration as to time was prescribed. Under that act the Secretary funded the Treasury notes, and all the various forms of interest-bearing notes, into 6 per cent. bonds, swelling the amount of our 6 per cent. bonds from about $700,000,000 to about $1,600,000,000. All the Treasury notes payable in currency were converted into 6 per cent. gold bonds, and the money of the people, the greenbacks, were left to be canceled and retired under the last clause of the act, which authorized the Secretary to cancel $10,000,000 by a certain time, and $4,000,000 a month afterward. Thus the bondholder was provided for, and the note-holder was left without any legal right except a naked promise to pay in the indefinite future.

If this act had contained a simple provision restoring to the holder of the greenback the right to convert his note into bonds there would have been no trouble. Why should it not have been done? Simply because the then Secretary of the Treasury believed that the only way to advance the greenbacks was by reducing the amount of them; that the only way to get back to specie payments was by the system of contraction. If the legal-tender notes could have been wedded to any form of gold bond by being made convertible into it, they would have been lifted by the gradual advance of our public credit to par in gold, leaving the question of contraction to depend upon the amount of notes needed for currency. Sir, it was the separation of our greenbacks from the funding system that created the difficulty we have upon our hands to-day; and I say now that, in my judgment, the only true way to approach specie payments is to restore this principle, and give to the holder of the greenback, who is your creditor, the same right that you give to any other creditor. If he has a note which you promised to pay and cannot, and he desires interest on that note by surrendering it, why should you not give it to him? No man can answer that. It is just as much a debt as any other portion of the debt of the United States.

Mr. MORTON. If my friend will allow me, I think he has not properly answered the question which I put to him, as to what act of the Government had most dishonored the greenback.

Mr. SHERMAN. It is not very parliamentary to be putting questions to me and leading me off from the course of my argument; but if the Senator will tell me what he is driving at, I will answer him.

Mr. MORTON. If my friend will allow me, I suggest that the act of the Government that I think did more to depreciate the greenback currency than any other, and has cost this Government more than any other, is this declaration, to be found on the back of the note:

This note is a legal tender at its face value for all debts, public and private, except duties on imports and interest on the public debt.

My friend made a report as chairman of the Committee on Finance in 1866, offering an irresistible argument that this note meant just what it says, that these notes were a legal tender in payment of the five-twenty bonds, for the bonds were bought from the Government with these very notes. That argument has never been answered. But when the Government denied this property in the legal-tender notes, it thereby gave them a permanent depreciation. They would have been at par five or six years ago but for that act.

Mr. SHERMAN. What act is that?

Mr. MORTON. The determination upon the part of the Government that this language did not mean what it says.

Mr. ALLISON. You refer to the act of 1869.

Mr. MORTON. That act simply followed a determination that the Government had acted upon for some four or five years. That act was simply carrying it out. But the declaration, made before the war was over, that that language did not mean what it says, and that the Government could not use those notes in taking up the very bonds which were bought with them, in plain violation of the language and of the argument made by the Senator himself—I say that that determination has cost this Government more than any other blunder that ever was committed in regard to our finances. But for that these notes would have been at par years ago, millions of dollars would have been saved, and more of our public debt would have been paid off than is now paid.

Mr. SHERMAN. I do not know for the life of me what the Senator from Indiana is driving at. Does he wish to say that the act of March 18, 1869 is wrong—an act of bad policy? If he does, I understand him.

Mr. MORTON. I am merely stating the position my friend took in his report in 1866 in regard to the effect of that language. I am not quarreling with the act of 1869. When it was passed I acquiesced in it, and it is gone.

Mr. SHERMAN. I did make a report upon the act of 1866. I did make an earnest appeal to Congress to restore to the greenback the right that had been taken away from it during the war—the right to be converted into a bond. I stand there now, and I will stand there until every dollar of this debt is redeemed.

Mr. MORTON. My friend's argument in that report was that the Government had a right to use these greenbacks in the payment of those bonds.

Mr. SHERMAN. I insisted that they were convertible one into the other; that although the authority to convert a greenback into a five-twenty bond was repealed by the act of March 3, 1863, still in fact and in law the holder of a greenback had a right under the legal-tender clause to convert it into a bond. I stand there now, and there is where I wish the Senator from Indiana would stand with me. If he desires to make a tilt at the act of March 18, 1869, why does he not do it squarely and openly? Did he oppose it or resist? It is a pledge of the public faith; and I call upon him to aid me in carrying out that obligation.

Mr. MORTON. I agree that the Government is now bound by it.

Mr. SHERMAN. Very well; then I call upon him to aid me to carry it out. We have made the promise, whether wisely or not it is not for us to inquire.

Mr. MORTON. The act of 1867 does not touch this question at all in regard to paying the greenbacks in coin; we were always bound to do that; but the argument of my friend in 1866 was that the Gov-

ernment had a right to issue the greenbacks in payment of five-twenties, and the fact that the Government came to a different conclusion before the war was over did more to depreciate the greenbacks than any other act that has ever been performed by the Government, and has cost this Government more; and but for that we should have had specie payments long ago.

Mr. SHERMAN. I always insisted that it was the duty of the Government to redeem this broken promise by making the note equal to par in gold before attempting to force it on anybody in payment of a bond. The Senator should see that we had no right to compel any holder of a bond to take a greenback in payment of his bond until we complied with that obligation which we assumed, long, long ago, to make it equal to par in gold. Then it would be a matter of indifference whether a greenback or gold was paid. But, sir, it was the act of March 18, 1869, that settled all this controversy about the obligation of the Government to the holders of the greenback and the bond; and it is that act of which he acknowledges the binding force, that I ask him to carry out.

By the act of 1866 $10,000,000 of greenbacks were to be retired in six months and canceled, and $4,000,000 every month thereafter. Such progress was made under the operation of the act that within less than two years $44,000,000 of these notes had been retired and canceled in pursuance of the contraction policy.

Mr. ALLISON. If I may interrupt the Senator, I desire to ask, was not that act repealed in 1868?

Mr. SHERMAN. It was suspended; and the Secretary could not cancel any more notes after the passage of the act of 1868. I have it here before me. The authority to retire and cancel greenbacks was suspended; but I ask the Senator from Iowa whether that revives into life and being the $44,000,000 that were retired and canceled under the law?

Mr. ALLISON. I only desire to call the Senator's attention to a part of the history of the withdrawal of these greenbacks. The then Secretary of the Treasury, instead of following out the spirit and letter of the law, which was that $4,000,000 per month should be withdrawn, allowed four or five months of the plethoric time of 1867 to pass away without withdrawing a single dollar of greenbacks, and when the months of September and October of 1867 came, when it was necessary to use a large amount of money in the Western States for the forwarding of the crops, the Secretary of the Treasury then reduced the greenback circulation $16,000,000 in two months; thus contracting the currency, instead of $4,000,000 a month, $16,000,000 in two months, so that when Congress came together in December, 1867, they withdrew from the Secretary of the Treasury the power which they believed he had abused; and from that time until now no Congress has ever authorized the withdrawal or the reduction of the circulation of the greenback currency. Am I not right?

Mr. SHERMAN. I do not differ with the Senator from Iowa; but I do not see what that has to do with my argument.

Mr. ALLISON. It has this to do with the argument, that the policy of returning to specie payments in 1866, by the law of 1866, was reversed in 1868, by an act of Congress, and has never been resumed.

Mr. SHERMAN. And to that act I heartily assented. I do not doubt at all that the policy of getting to specie payments by a contraction of the currency in the way that was proposed was a very unwise one. I aided in its repeal. But that is not the point. When

in 1869 we pledged the public faith to redeem our outstanding paper in coin, the only amount that then legally existed, or which there was any authority to issue, was the $356,000,000, to which amount, by the policy of the law of 1866, the currency had been reduced when that reduction was suspended. Therefore, I do not question my friend's statement about what Mr. McCulloch did, for I have nothing to say about it. The argument I make is that when we made the pledge of the public faith to redeem our notes in coin, the only currency that was legally outstanding was the $356,000,000. All above that had been retired and canceled. If there are any words in our language that express the destruction, the annihilation, the non-existence of anything, the words "retired and canceled" do. They are the very same words that are used in regard to the cancellation of all our bonds. There have been $3,000,000,000 of bonds in various forms "retired and canceled. Is there any power to reissue those? Not at all.

Mr. BOUTWELL. Mr. President, I am unwilling to interrupt the Senator, and I dislike to say a word on this point of the legality of issuing the forty-four millions; but as on three different occasions during my administration there was no other way of maintaining the public credit but to issue a small portion of the forty-four millions, as it had been on one occasion at least used to a small extent by my immediate predecessor, as it was the opinion of the Department that that legal power existed, as that opinion had been confirmed by the Attorney-General of the United States, as that matter had been presented to the Committee on Ways and Means of the other House and the Committee on Finance of this House, and as those committees individually and generally were informed by the then Secretary of the Treasury what his view was of the legal rights of the Secretary of the Treasury in this respect, and as no action was ever taken, not only by Congress, but as no action was taken by either House of Congress, I, for one, think it is too late to question the good faith or even the legal authority of the present Secretary of the Treasury, or of either of his two immediate predecessors, upon that point.

Mr. SHERMAN. Mr. President, the considerations now stated by the Senator from Massachusetts were undoubtedly submitted to Congress. The claim of the Secretary of the Treasury that he had the power to issue the forty-four millions was submitted to Congress, and neither House of Congress negatived by a vote the assertion of the power; and therefore it may be said with great propriety, and I freely accord, that under the circumstances, following the decision of the Department, the present Secretary might be justified in issuing the forty-four millions; but the argument I am making to-day is not to arraign the Secretary, not to find fault with him. In the written report made by the Committee on Finance on this subject we expressly relieved the Secretary of the Treasury from all fault in the matter and submitted it to Congress. I say that Congress now permits daily the violation of the only act that looked to the advance of greenbacks to par with gold by its silent acquiescence. The Secretary of the Treasury submitted to us the claim that he has asserted and exercised, and we have never denied it as a Congress or by either House of Congress; and therefore I do not find fault with him; but I say that Congress does permit this act, which in my judgment is a violation of law and an exercise of authority not delegated to the Secretary of the Treasury, to go on, and we are now daily living upon notes issued without authority of law.

Mr. President, I have gone into this argument to show, first, that we

are bound by the obligation that we assumed on the 18th of March, 1869, to resume specie payments, or to do something to advance our notes to the par of gold. I have endeavored to show that such was the legal and established policy of the Government when the notes were first issued. Now, I have only to say, very briefly, that there are various modes, to none of which do I intend to commit myself until the whole subject is finally discussed, by which this can easily, without trouble, without difficulty, be accomplished. There are three modes that have been proposed in debate in the Senate, and a multitude come to us from the people, but I will group them into three classes.

There is, first, the proposition to accumulate gold in the Treasury with a view to the actual redemption of our notes in coin. That is supported by two bills now before the committee; one introduced by the Senator from Vermont, [Mr. MORRILL,] and the other by the Senator from New Jersey, [Mr. FRELINGHUYSEN.] What are the objections to this plan? They seem to me to be these: In the first place, any attempt to accumulate large masses of gold in the Treasury, lying idle to await some future event not fixed by act of Congress, would not be a wise use of the public moneys. In the next place, I entirely object to conferring upon the Secretary of the Treasury the power of issuing one hundred millions or any lesser sum of 6 per cent. bonds with a view to buy gold to hoard it in the Treasury to maintain resumption. I believe that it is impossible, in the very nature of things, to maintain the resumption of specie payments at all times and under all circumstances; and if anything has been established by modern experience, it is that all a nation can do that issues paper money is to maintain it at a specie standard in ordinary times; but, in times of panic, such as by periodical revulsions come over every country, specie payments cannot be maintained. They can scarcely be maintained in England, and are not now maintained in France, although they approach them. Therefore, every plan for specie payments ought to have some provision for the temporary suspension of specie payments, or some means by which in times of great panic and financial distress there may be a temporary departure from the specie standard. I say this not that it ought to be so, but simply as a matter of demonstrated experience shown by the history of almost all commercial nations in Europe.

The second plan is the actual payment of the United States notes and their cancellation; in other words, the plan of contraction. In the first place, this plan, while it operates, does so with such severity as, in a popular government like ours, to cause its suspension and repeal. Undoubtedly, the most certain way to produce specie payments is by retiring the notes that are dishonored, paying them off, taking them out of circulation. But the trouble is, the process of contraction is itself so severe upon the ordinary current business of the country that the people will not stand it; and in this country the people rule. The policy of Mr. McCulloch, already commented upon, if it had been continued further, would have undoubtedly brought us to a specie standard; but with great distress, great impoverishment, and with more difficulty than was really necessary to accomplish the object in view.

These are the difficulties that occur to me as against these two policies.

There is a third plan. This plan, which in my judgment presents the easiest and best mode of attaining specie payments, is by taking some bond of the United States which in ordinary times, by current

events, is shown to be worth par in gold in the money markets of the world, where specie is alone the standard of value, and authorize the conversion of notes into that bond.

I do not intend to consume much time upon the discussion of these different plans, because they are all open for debate, and I do not intend to commit myself. I have no pride of opinion as to modes if I can secure the substance. I want to get at some measure which, without contraction, without undue distress, will make us redeem our promise. This mode of vesting the specie standard was reported favorably by the Committee on Finance at the last session. I will glance at the results that would have been accomplished by that plan in the present condition of our money market. I am speaking here now, on the 16th day of January, 1874, after the time when, by the bill reported at the last session, United States notes could have been converted into coin or bonds at the option of the United States. This would not to-day have produced absolute payment of the notes in coin, but their value would be advanced to the value of the 5 per cent. bond. Things that are equal to the same are equal to each other. Five per cent. gold bonds this day, in the midst of the panic, are worth ninety-nine and a half cents; so that the United States notes would be this day practically at par in gold, having just about the same depreciation as now exists in France where the law of convertibility has always been maintained. In France, with a large currency, that currency may be used to pay the same as gold for any form of debt of or to the government, even the form of duties.

Mr. FERRY, of Michigan. I should like to ask a question just here.

Mr. SHERMAN. I would rather not be interrupted now.

Mr. FERRY, of Michigan. It is on the point the Senator was just discussing.

Mr. SHERMAN. Very well.

Mr. FERRY, of Michigan. I ask whether, in the Senator's judgment, the value of the currency in France depends so much on the convertibility of the notes into bonds, or on their being made lawful money for all purposes, which our greenbacks are not?

Mr. SHERMAN. I have no doubt that it would greatly advance our greenbacks if they were allowed to be received at the custom-houses for duties.

Mr. FERRY, of Michigan. Is that not the case in France?

Mr. SHERMAN. Yes; but I will ask the Senator a question now. Would he pass such a law in the face of the obligation of the United States, made on the 25th day of February, 1862, that this coin shall be set apart sacredly as a fund?

Mr. FERRY, of Michigan. If I had control of the finances of this nation I would not discredit my own paper; I would declare it good for all purposes for or against me, and then enter the market and purchase the gold necessary to meet the obligations which I had agreed to pay in coin. In that case I would stand upon the French basis and maintain the same credit which the French nation maintains to-day, to wit, a discount of ½ per cent. on its currency, while ours to-day is about 10 per cent., for the very reason that we have not made our currency lawful money for all purposes, but have made an exception in regard to duties.

Mr. SHERMAN. I only gave way to a question.

Mr. FERRY, of Michigan. The Senator put a question to me, and I was answering it.

The PRESIDENT *pro tempore*. The Senator from Ohio declines to be further interrupted.

Mr. SHERMAN. The answer to all this is, that by the act of the 25th of February, 1862, which authorized the issue of bonds and greenbacks both, it was expressly stipulated that the greenbacks should not be receivable for customs duties, but it was expressly stipulated that the customs duties should be paid in coin, and that this coin should be specially pledged and set apart as a fund to pay the interest, and then the principal, of the debt. There is the difficulty. If we were now to legislate without any law upon the statute-book, I certainly would not pass an act that would require us to refuse the notes of the United States for the taxes payable to the United States; but we are crippled by the operation of a law that we cannot repeal without violating the public faith.

Now, sir, taking the case again of the existence of some such convertible provision as I referred to in the bill of last year, at this day the notes, instead of being hoarded, would to some extent have floated into the Treasury for 5 per cent. bonds; they would be paid out for current expenses, and in the purchase or redemption of five-twenties at a discount of one-half of 1 per cent. It is sometimes said that these notes would flow in in unmeasured numbers for 5 per cent. bonds. Why, sir, how many would be withdrawn from the volume of the currency before they would be equal to the 5 per cent. bonds now at or near par in gold? But suppose they should flow in to the extent of fifty or one hundred millions, cannot the Government of the United States use them? First, we have to pay our current expenses, which are now more than our income. Instead of consuming the forty-four million reserve, we could use some of them coming into the Treasury for bonds to pay the current expenses; and we could use all of them in the purchase and redemption of the 6 per cent. bonds of the United States. There would be no practical difficulty in using all the currency that might flow into the Treasury in the payment and liquidation at a slight sacrifice of a debt now bearing 6 per cent. interest. That operation might go on until $1,200,000,000 were paid, because every dollar of the five-twenty bonds is now due and payable at our pleasure, in coin.

Sir, the Secretary of the Treasury has for years adopted the policy of buying bonds in greenbacks. He has paid 10 per cent. premium, because he could not get them for less. And suppose our notes were advanced near the par of gold by being convertible into a 5 per cent. bond, the value of which is fixed in foreign countries, then let him use the greenbacks that flow into the Treasury to pay the 6 per cent. bonds. He could only do it by paying the difference between notes and gold. What premium would he have to pay? One-half of 1 per cent. This operation of funding the 6 per cent. bonds into the new 5 per cents is going on now at an expense of nearly 2 per cent. to the Government. First the law allows 1 per cent. for expenses, and then a certain credit or a certain delay in payment is given to the syndicate or bankers who negotiate the exchange. This is equivalent to 1½ per cent., so that we are now carrying on this funding system at an expense of more than 2 per cent. Sir, the practical operation of a law permitting the conversion of notes into bonds would not only advance our notes to near par in gold, but would enable us to reduce the interest on the whole mass of 6 per cent. bonds of the United States to 5 per cent., thus saving $12,000,000 per annum, or several times the amount of interest we would pay on bonds given for notes permanently retired.

Now, sir, I will not go into the details of the other provisions of that bill, which was to supply any want of currency needed at the

time. That bill provided for free banking; it provided for a relief from the reserve to be maintained by the banks as a security for their notes. Sir, if you take the actual facts as they have now developed themselves and apply the principles contained in the bill of the last session, they would have answered by their actual workings all the objections that were made to the bill, and I defy Senators to criticise it.

But, sir, the time will come when whatever plan may be brought before the Senate will be subjected to amendment and criticism. We are not now considering any plan, but only whether we recognize our obligation now at this session to do some definite act to redeem our broken promises. If you will you can find a way.

Mr. President, there are some objections of a popular character made to specie payments, that I think I ought to answer.

In a popular government like ours even an unfounded fear ought not to go unheeded. Warnings are uttered; a great bugaboo is raised against every measure that tends toward specie payments. Let us examine some of these popular objections.

The first objection (and it is the only one well taken) is that specie resumption will be burdensome to debtors. Undoubtedly, if you advance a standard in which a man's debt is to be paid, you add to the burden of that debt. We are now dealing on a standard of about 11 per cent. below par; and if, by some sudden act of Congress, a debtor should be required to pay in a standard worth 11 per cent. more than the present par, it would be burdensome to him. Therefore it is, and for this reason only it is, necessary to make any step moderate, to make the advance slow; and I for one would not desire to see any sudden resumption, because it would be injurious to a class of business men who are now more or less in debt. This injury is greatly exaggerated, for almost every debtor is a creditor, and therefore while he loses on the one hand he gains on the other. Debts are now less than they were a short time since. The recent panic swept away a great many of them. Most of those which remain are being settled on the present basis, so that never was there a time when an act, looking to a change of the standard of values, could be made better than now. There are fewer contracts to be settled upon the old standard. If the time for making this change of standard is postponed for a short period, say a year, all the debts contracted on the present basis would be settled up.

Why, sir, this is not the first time we have changed the standard. We did it in 1835; and we have changed the value of our gold coin twice within my recollection. We have changed the value of silver two or three times. The monthly fluctuations that happen in the city of New York sometimes are greater than all the amount of difference between our paper money and gold now. The people are used to these. Sir, you live in a State whose chief production is now, or was, wheat. You have seen wheat jump up from fifty cents to a dollar a bushel, and go down from a dollar to fifty cents again—a fluctuation of 100 per cent. These fluctuations are unavoidable; but when they affect the standard of all values they ought to be made carefully and slowly. Here, Senators, is the only difficulty in this whole problem. When we made our notes a legal tender, when we repealed the convertibility clause, when we took away their value and saw them depreciate down to 280 per cent., we did great injustice to creditors. We did it because we were compelled to do it. All the Senators around me admit that at some time we must come to a specie standard. When can we do it more easily, when can we do it better? Will you

flood the country again with more irredeemable paper money, sink again the standard of value, make the depreciation beyond what it was when General Grant was elected, 30 or 40 per cent., and then resume? How foolish! how idle! The moment when we approach the specie standard nearest by natural causes, that is the happy moment to complete the cycle, to restore us to the old and true foundation.

The next objection is that the United States will have to pay interest on a portion of its debt which is now without interest. I have heard that argument made, I think by my friend from Indiana. He has said, "You would make us pay interest on our greenbacks; they will be converted into interest-bearing bonds." Well, why should we not pay interest on our debt that is due? Why should the people of the United States have a forced loan which they require everybody to take, debtor and creditor, without interest? Why should they not pay interest on it? If these notes are idle in the nands of the people and there is no opportunity for investment, and they have no desire to use them, why should we not pay interest while they do not want to use them? It is perfectly obvious that the strongest grounds of equity demand that when anybody has our note not bearing interest, has no immediate use for it, prefers to put it on interest, we are bound either to pay him, as we agreed to pay him, in coin, or we are bound to give him something that will bear interest, and will be as near as practicable to a specie standard. Therefore, this scarecrow about increasing our interest-paying debt does not disturb me. Why, sir, we have in the last five years paid off four hundred millions of bonds, and have saved interest to the amount of $30,000,000. No one has claimed that the interest of the debt of the United States would be increased by this system more than two or three millions. Why should we not do it? Why should not the people have for their greenbacks the same privilege that is extended to other creditors?

A third objection that was made, I think by my colleague, who is not now in his seat, [Mr. THURMAN,] was that the United States notes would be retired from circulation and give place to bank-notes, and he has a great prejudice against bank-notes. I am not much of a bank man myself. I would not care if there was only one form of circulation in this country, and that a United States note convertible at the pleasure of the holder into a proper bond, or into coin. But the national banks sprang out of the necessities of the war. We could not absorb the State banks and get rid of the horde of inconvertible, irredeemable paper-issuing, irresponsible system of banks all over this country, except by allowing them to be organized into national banks. We cannot get rid of them now. That was the only way in which they could be dealt with. They disturbed during the war our whole system; but now the present banking system is so much better than the old, the currency is so good, so well secured, of such universal circulation, and everywhere at par with greenbacks, that nobody would propose to go back to the old system.

Mr. President, as these banks are compelled to redeem their notes in greenbacks; as they are bound to maintain in their vaults a reserve of greenbacks; as every prudent banker will maintain this reserve in greenbacks; there is no danger that the United States notes will be driven from circulation to give place to bank-notes to any considerable amount. The same provision for redemption that is applied to United States notes is applicable also to national-bank notes. If the United States redeem their notes in coin, the banks have to redeem theirs in coin. If the United States notes are redeemed in United

States bonds, the banks are compelled to redeem their notes in the same way. The very moment that a bank-note falls below the value, the purchasable power, the convertible power of the United States note, that very moment it would be returned first to the bank, and in case of its failure to pay then to the Treasury of the United States, and there, with the bonds in the Treasury or with the proceeds of them, the Treasurer would pay them dollar for dollar. So that the same plan of redemption that we now propose to apply to United States notes is applicable by existing law to the bank-notes; and hence the theory that this plan will drive out the United States notes and give way to bank-notes is utterly futile. The same burden which now rests on the United States to redeem its notes will then rest on the banks; and, as I said a moment ago, you are now dealing with institutions that are amply able to redeem their notes. Whether any of them have in the speculations of the past impaired their capital or not, is a matter of perfect indifference to the people of the United States as long as the notes are secure. You can present no plan of redemption which the banks are not able at this moment, promptly to-day, to comply with. If your law should take effect requiring the banks to redeem either in coin or in bonds of the United States, every bank has these bonds and 10 per cent. over. Therefore this plan of redemption applies not only to the United States notes, but to the banks under existing law; and it is not necessary to even change the law to make it more rigorous or direct.

Sir, the last objection is that it will contract the currency. That is the image of alarm that came to us from the experiment—as I thought the bad experiment—of 1866. My honorable friend from Indiana, from the way in which he pronounced the word "contraction," seemed to think it was some terrible thing. Well, sir, the people are afraid of contraction. I do not want to contract the currency. But what is contraction? Is it to fulfill an obligation to pay a note when it is due; to pay in coin when you have promised to pay in coin? I do not think that is contraction. Why, sir, I do honestly believe that if now there was a plan of redemption agreed upon by which notes could be converted into coin or bonds at the pleasure of the holder, all restrictions upon the amount of currency were repealed, the amount of currency thus at par with gold would be greater than it is at present, and its purchasing power would be just exactly 11 per cent. more. The people, in the Western States especially, have been very fearful on this point, although they are now getting bravely over it. Look at the reports of their chambers of commerce, their boards of trade; see the intelligent opinion that comes up from the Western States. The people of the West were terribly alarmed about contraction of the currency, but they begin to understand it. The laboring man who is paid off in a greenback begins to desire that that greenback may buy as much food and clothing and produce as the best dollar that was coined in the mint. He begins to understand that he receives that for his daily labor which will not purchase him the supplies that gold would. The farmer, also, who sells his produce mostly to a foreign market, finds that, under this system, when he is paid in greenbacks, he has to pay greenback prices for his purchases, while his commodities are settled for by the gold standard.

And, sir, I can here show by the actual returns from Mr. Young, of the Statistical Bureau of the Treasury Department, that although the price of greenbacks fluctuates, as compared with the standard of gold, yet the articles which the farmer sells depend almost entirely on the gold price and are fixed by the gold standard. Wherever he sells his

surplus products, the ruling price in the foreign market fixes the prices of his commodities here. The price of the farmer's produce is fixed by the gold standard, and was during all the war, and is to-day, and will be to-morrow. His price is fixed by the gold standard, while what he buys is fixed by the currency standard.

The people are beginning to understand that; and when they find out that "contraction," with all its horrors, means good money, convertible money, greenbacks convertible into gold, they will sound hallelujahs in favor of that kind of money. They now feel that the greenback money is a good money—as my friend from Indiana says, the best money that ever was devised by man. Well, sir, in many of its properties it is good money; it is of universal circulation, universal credit; it has a fixed value, fixed daily by the quotations in New York, and it has a universal value; it passes readily from hand to hand. It is so much better than the old system, and all like it. There is only one thing to crown the perfect work of this money to make it the best in the world, and that is, make it equal to what it promises to pay. Then you have good money, you have money based upon the public credit, a note of the United States not dishonored, a note whose purchasing power is as good as the best gold that ever was coined in any mint, or ever mined in Peru, or Australia, or America; a money whose purchasing power will enter into the markets of the world and buy its face value in the products of the world; a money which, if convertible into coin, will travel, like the Bank of England note, all around the world, buying in every mart and every community the production of every clime. Sir, this is what we aim at, this is what we desire; and when the people begin to understand this question, and see that this cry about contracting the currency means nothing but an effort to stave off the immutable event which will come, which we have promised shall come, namely, a specie standard, they will then silence the demagogical clamor of the hour.

Why, sir, a year or two ago, if you had convened your chambers of commerce and boards of trade and representative business men of the country before this panic, and submitted to them any proposition which looked to the advancement of the greenback to the standard of gold, they would have passed resolutions without number against it. But now they are all passing resolutions for it. Almost every one of them is opposing any increase of the paper money of the country. These documents from representative men could not have come here a year ago in favor of specie payments, led off by the great petition from the Chamber of Commerce of New York, presented here a month ago. Sir, the people will soon reply to these popular objections.

But, sir, we have had a great deal of talk here about the amount of currency we ought to have, and Senators have made the computation how much currency per inhabitant, how much for every man, woman, and colored baby, how much for every child, how much for every bushel of wheat. How much currency should we have? They figure it out in some way that France and England have more currency than we, and that as no nation shall have more of a good thing than the United States, therefore we are determined to have all that any other country has! That is the argument. They say, "We want more money." Well, in the sense in which money means capital, I think we all want more money. In the sense in which money is used as a mere medium of exchange to measure value, to pass from hand to hand, to facilitate commercial transactions, the only test and measure of the amount necessary is that which can be maintained at the specie standard; no other. Why, sir, you might as well say that a yard is not thirty-six

inches long, and economize by using one thirty inches long; what would be the effect of it? It would take more yards of cloth to make the coat; but the coat would not cost any less.

Sir, the only standard of the amount of paper money needed in any country is the amount that can be maintained at the specie standard. The amount of currency in Great Britain, in Bank of England notes, is £25,162,000; in other banks of England, Ireland, and Scotland, £18,226,000; making a total of £43,338,000, or, in dollars, 216,940,000 of paper money, as good as gold. That is enough to carry on all the business transactions of Great Britain.

But my friend from Indiana says Great Britain is a small country compared to the United States; it does not cover as many arid plains and deserts as the United States; it has not the area or the population of the United States. Sir, area and population are not the things that demand currency; it is business, wealth, production; and, although I wish it was otherwise, we cannot, as yet, compare with the wealth or commerce of Great Britain.

Mr. MORTON. Does the Senator give that as the entire currency of Great Britain?

Mr. SHERMAN. I give that as the entire paper currency of Great Britain.

Mr. FERRY, of Michigan. I should like to ask the Senator if business can be done without people or area?

Mr. SHERMAN. No, sir; we must have some people to carry on business, and some area on which they may live. We have been told that Great Britain is a small country compared with ours, and yet that kingdom contains thirty million people, who have now twice the actual wealth, and more than twice the commerce, of our people. The accumulated wealth of ages of our own race is there.

Mr. FERRY, of Michigan. I understood the Senator to say that it was capital that was wanted, and not people or area. Can there be capital without people or area?

Mr. SHERMAN. I do not understand the Senator.

Mr. FERRY, of Michigan. I understood the Senator to say that the volume of the currency depended upon the business of the country, and not upon the people or territory.

Mr. SHERMAN. I did not say that. I said the currency necessarily depended upon wealth, production, &c.

Mr. FERRY, of Michigan. And not upon people, or the extent of territory?

Mr. SHERMAN. Without people and area there can be no wealth and production; but the amount of currency needed depends upon the amount and nature of the productions of the people. The Senator from Indiana says that $216,940,000 is only one form of money in Great Britain. So it is; but it is the amount of paper money that they undertake to maintain at par in gold. A wise nation like Great Britain, with ample experience in all financial questions, where they have been managed with great skill, where more time in Parliament is devoted to them than in Congress here—that nation has decided that it is not wise ever to attempt to circulate more paper money than can at all times be maintained at par in gold. They prohibit by law the issue of any more paper money. No new stock banks are organized, and the Bank of England cannot issue one pound of paper money more than the amount fixed by law thirty years ago, at £15,000,000, and such additional amount as they have actual gold on hand. Every dollar is secured by government securities or gold on hand.

Senators say that the Bank of England can issue in times of panic

more than the amount allowed. It has done so at three exceptional periods of distress. But this did not cause a suspension of specie payments. Not at all. When the Bank of England note is issued in excess of the legal limit it is done by order of the ministry, at their hazard, just as they would do any other unlawful act for the public safety. The amount is limited, say to £2,000,000, or $10,000,000; securities are required, and the profit of that issue goes to the government. So careful are they. The amount of notes issued by the Bank of England in excess of the legal limit was never over £2,000,000 sterling, and in one case no notes were issued. The authority to issue arrested the panic. The issue when made was within sixty days withdrawn and the old limit restored. Why, sir, we in this country have increased our paper money in five years over $80,000,000, and the Secretary of the Treasury during and since the panic has issued new paper money fourfold in volume the aggregate of temporary issues by the Bank of England since Peel's act of 1844.

But the Senator from Indiana says Great Britain has coin. So it has, and the reason why it has coin is because there is a use for the coin there. So, if we were at the specie standard, coin made in our own country of the gold mined here would be kept here. It would have some useful employment. But, sir, one of the evil effects of a depreciated currency is to demonetize coin, to drive it out, because the poorer currency always fills the channels of circulation. Therefore it is that we cannot keep in this country any considerable amount of gold in the present condition of our affairs, unless we hoard it in the Treasury of the United States. A private citizen has no use for it. He sends it abroad where they do recognize its value, where they do use it in ordinary affairs. The gold of our country is hoarded by the Treasury; and as long as you have a depreciated currency one of the inevitable effects of such a currency is to banish gold from the country, although it is our own production. We banish the children of our mines, the work of our hands, because we will deny the fundamental truth that gold mined from the earth is the standard of value. We have repudiated it. We have rejected the true god and set up an idol of our own; and thus that which we produce ourselves is forced from our own country.

So with France. I have already given the amount of paper circulation there. The issues of the Bank of France were 2,606,377,000 francs, or $521,275,000; and this is practically maintained at par in gold, as the Senator from Michigan [Mr. FERRY] very properly said.

Now, sir, when this cry is made for more money, I answer, yes; let us have more money, but let it be more good money, more money that will purchase that which money in any other country will purchase. I want the best; and if my friends here really believe that France and Great Britain have, counting their gold, a little more currency *per capita* than we have, let me console them by telling them that if we come back to specie payments we shall have more good money, both paper and coin, than any country in the world. Now, at this moment, if you take our paper money and add it to the gold in this country, you will see that we have more *per capita* than any nation in the world. Why, sir, how much paper money have we? About $772,000,000, every dollar of which is a legal tender practically. Although the bank-notes are not a legal tender by law, yet in fact we know they are. We have to receive them *nolens volens*. What other country has got this amount? France has $521,000,000 of paper money. Great Britain has $217,900,000 paper money. But they have more gold than we. Why? Because you banish it from your country.

Who would keep gold now? Would a bank keep it? It is more dangerous to keep than paper money, because it is heavier and more difficult to guard. Would a merchant keep it? Yes, to the extent that he has to pay it out to the Government for duties. The Government keeps it, and the amount that is owned by merchants is held by the Government in New York on gold certificates. So the Government is the custodian of all the gold in the country banished from circulation. Sir, take the aggregate of our currency, and where are you? With more paper money *per capita* than any country in Europe has of paper and gold.

Now, sir, let me caution Senators in regard to their estimates of gold in foreign countries. In France it was estimated that there was $700,000,000 of gold, and France was compelled to pay of this gold more than $400,000,000 to Germany in the settlement of their difficulties.

Mr. SCHURZ. A thousand millions.

Mr. SHERMAN. I beg pardon. The sum paid was $1,000,000,000; but this was partly by credits and partly in gold. The effect of the Germanic war has been that the gold of France has enormously decreased; no one can tell exactly how much is left.

The Senator from Indiana a moment ago said they had $300,000,000 of gold in circulation in Great Britain. I am not prepared to dispute it.

Mr. SCHURZ. Seventy million pounds sterling, according to the estimate I had yesterday.

Mr. SHERMAN. I am not prepared to dispute it, because I can show by English writers, and even by the declaration of the chancellor of the exchequer, that it is utterly impossible to tell how much gold there is in England. There are no returns that enable them to do it. It is kept there by joint stock companies, by the Bank of England, and by private persons. A large portion of the commerce of England being foreign commerce, large masses of gold in the coin of different countries are held by merchants. As to the precise amount, no one can tell what it is.

Mr. SCHURZ. I read the other day from the statement of an English financial writer that they had £70,000,000 sterling there; but it was a mere estimate.

Mr. MORTON. Three hundred and fifty million dollars.

Mr. SHERMAN. Now add the $350,000,000 of gold currency to the amount of their paper money. Take it as you claim it, but what does it make? Five hundred and sixty-six million dollars to do the business of that nation of thirty-two millions; while we have of inconvertible paper money $770,000,000. Why therefore say that we have less money than England? Sir, we have more *per capita*.

Mr. BAYARD. Will my friend from Ohio permit me to suggest to him, also, that there is a large part of this country, the Pacific coast, where the currency is gold; so that that which is merchandise simply in the Atlantic States is currency on the Pacific coast; and that, also, in the city of New York and other ports of the Atlantic States a large amount of the business of merchants is transacted upon a gold basis, and in gold alone? In considering the amount of money that is furnished to the people I think he is very much understating when he confines himself to paper currency alone.

Mr. SHERMAN. I have no doubt of it. I have no doubt that the money now in circulation in this country is greater *per capita* than in any nation in Europe; and I thank my friend for reminding me that the Pacific coast uses gold and silver, it is estimated, to the extent of twenty or thirty millions of dollars, perhaps more.

Mr. SCOTT. Permit me to say that while I have no idea that any *per capita* amount can be fixed, I am sure the chairman of the Committee on Finance would not wish an erroneous impression to go out as to the amount of currency that is really at the service of the business community when he states that we have $769,000,000 paper currency. The reserve upon that usually amounts to about $200,000,000, which reduces it to about $550,000,000.

Mr. SHERMAN. While undoubtedly there is a considerable amount held by the banks as reserve, it is not so much as the Senator from Pennsylvania states. Much of that is in the form of credits by deposit banks. But let me remind the Senator that in England the Bank of England holds, and is compelled to hold, a large portion of the gold in England as a reserve. Every bank has to have a reserve. So with the Bank of France. There is a much larger percentage of reserve held in the Bank of France now than is held by the banks of the United States. Their reserve, if I remember aright, is about 30 per cent., whereas our banks average less than 20 per cent., and much of this in credits. The Bank of England reserve is greater than ours, and Bagehot has written a book to show that it is too small.

As a matter of course, if you go into all the details about reserve you could never get the precise results. The truth is, there is no mode of testing how much money is needed to do the business of a country except that amount which can be maintained at par in gold. The very fact that our money is depreciated 11 per cent. is as conclusive as any sum in arithmetic can be that you have more money than can be maintained at the proper legal standard. You cannot get around that. There is but one standard, and every addition to the volume that cannot be maintained at that standard is conclusive evidence that there is too much money afloat of that kind.

Mr. MORTON. Will my friend allow me to make a suggestion?

Mr. SHERMAN. Yes; but I fear I shall never get through.

Mr. MORTON. I understood my friend to assert just now that the depreciation of the currency was evidence that there was too much of it. Is that the statement?

Mr. SHERMAN. That is conclusive evidence.

Mr. MORTON. If that be true, then if we cut off 10 per cent. of the volume of currency, the depreciation being 10 per cent., that alone, according to his argument, ought to bring it to par. I want to know whether it will do it.

Mr. SHERMAN. My own impression is that less than that will do it; that when you give additional value to the greenback, so that people can use it as gold, so that it will be equivalent to gold, the gold itself will become a part of the currency. It is probable the full amount of the present issue of legal-tenders can be maintained if you will only give it an equal value with gold. When you make your paper money equal to gold it floats with gold and fills the channels of trade. In my deliberate judgment, in this country of broad extent, as my friend says, of varied population, of varied productions, a larger amount of currency could be maintained at par in gold than the actual currency now in hand. I have some statistics here, but I am too weary to go into them, which show what amount of currency we maintained at par in gold before the war, and by a comparison of our condition then and now I could estimate what amount can be maintained. But, sir, the only standard, the only rule, by which we can judge of the amount of paper money is that quantity which can be maintained at par in gold. If you declare illegal and invalid this standard, no man can tell how much circulation is needed. The only

way is to test it by the barometer of New York. This is as sure a test as the instruments here around the Senate Chamber are tests of the heat of this room.

There is another class of measures now pending on which I wish to make a few remarks, and they are the propositions to inflate the currency still more. The process of inflation is now going on daily while we are debating. This surely ought to be stopped. This issue of the forty-four millions ought to be suspended at once. The payment of this money ought to be arrested and some other provision made to pay the ordinary expenses of the Government. The plan that I suggested a moment ago would do that, by authorizing the funding of notes into bonds. But there are other propositions. The Senator from Michigan proposes to issue $100,000,000 increased currency, to require the system of banks now organized over this country to retire their circulation, and to issue an amount of greenbacks equal to the whole, aggregating $800,000,000, and this, I suppose, in addition to the fractional currency; in other words, an increase of currency of about $100,000,000.

Mr. FERRY, of Michigan. Including the forty-four million reserve?

Mr. SHERMAN. Yes; including the forty-four million reserve, an increase of $100,000,000. I appeal to my friend, to his candor, his sincerity, to say whether the immediate effect of that would not be to depreciate that which is outstanding.

Mr. FERRY, of Michigan. I would merely say that, in 1870, we increased the currency fifty-four millions, and the premium on coin to-day is less than it was during the average of that year. Now, I ask by what reasoning will the price of coin increase if we increase the currency to about the same amount, which is the ratio I propose?

Mr. SHERMAN. The remark now made by the Senator compels me to make a confession, that I believe that act of 1870 did arrest the downward course of gold and the rapid march toward specie payments. As I contributed to the passage of that act, I am sorry to take the responsibility. From the time of the passage of that act the appreciation toward the specie standard was arrested, and now, to-day, four years after the passage of that act, your paper money is worth no more than it was at the date of the passage of that act.

Mr. FERRY, of Michigan. I hold in my hand a statement of the prices of gold during the several months of 1870, and the average premium on gold in 1870 was higher than that in 1873.

Mr. SHERMAN. I have the standard here. I took the 18th day of March, 1870, which was about the average of that year, because it was a year after the passage of our law of 1869. The premium on gold was then 11⅞; to-day, I believe, it is 12. Some one tells me gold is 112 in New York to-day; so that in four years the advance we have made to specie payments is one-eighth of 1 per cent. backward.

Mr. FERRY, of Michigan. Then the Senator admits substantially that the premium on coin is the same now that it was then. With an increase of $54,000,000 circulation in 1870 the premium on coin has not advanced.

Mr. SHERMAN. Thirty-nine million dollars of bank circulation.

Mr. FERRY, of Michigan. Of bank circulation.

Mr. SHERMAN. If $54,000,000 had been issued, it would have been more; but only $39,000,000 has been issued under the law; $54,000,000 were authorized, but only $39,000,000 issued.

Mr. FERRY, of Michigan. I do not wish to interrupt the Senator, but he has not escaped the fact that $25,000,000 of the $44,000,000 reserve of greenbacks are already out; that more than makes up the

amount, so that the increase, as I propose it, is about the same that was made in 1870. Then, if that increase of $54,000,000 in 1870 has not advanced the premium on coin, upon what basis or reasoning does the Senator arrive at the conclusion which he states, that my proposition of increase of about $50,000,000 will increase the premium on coin?

Mr. SHERMAN. Because there is no doubt about it. Every addition to the currency does it. If I wanted to teach my friend this plain lesson in political economy I should have to read to him from the school-books used in every college, down to the last work on political economy. It is an axiom of political economy, which lies at the very groundwork and foundation, repeated by every author that ever wrote upon the subject, as necessary a consequence as that water will seek its own level. Any increase of paper currency tends to impair its value when it is once depreciated.

Mr. FERRY, of Michigan. I merely put against that theory of the books the facts of the present. The Senator has stated, I believe, that the price of gold in 1870 was substantially what it is to-day; I think only a difference of ½ per cent., or something of that kind. If, then, with an increase of $54,000,000 circulation since 1870 the price of gold has not advanced, then I say that experience against the books verifies what I now say, that the increase which is proposed will not any more advance the premium on coin than did the increase of 1870.

Mr. SHERMAN. After the passage of the act the Senator refers to, authorizing this increase, the price of gold steadily advanced and again commenced to decline. As a matter of course, if we could once fix the amount, we could no doubt come to it in time; but what assurance have we that after you have issued your $100,000,000, and gold goes up to 133, as it will, and then after the power of inflation has exhausted itself and gold commences to go down, what reason is there to suppose that my honorable friend from Michigan, or some successor of his, will not come here and demand another inflation, and then say that the inflation will not, at the end of four years, increase the price of gold?

There is no mode of accounting for the fact that the value of our greenback has not advanced one single step for four years, except that you have increased the volume of paper and have taken no steps whatever to advance its value. As a matter of course, if you would maintain the amount of paper money at a certain rate for one hundred years till our country got to contain three hundred millions of people, it would be all as good as gold; but if the Senate should follow the lead of my honorable friend and dilute the currency, put water into the elements that now compose our currency, it would undoubtedly depreciate it.

Senators, we have now arrived at a stage of our history where, if we will obey the law and keep the public faith, we shall surely come to safety, prosperity, resting upon the universal standard of value—when industry will be rewarded, and not cheated by the depreciation of paper money. If, on the other hand, you will enter again into a depreciation of your paper money, adopting the cry of expansion, "more money," you will surely travel a road that many nations have traveled before us, to bankruptcy and repudiation.

I will turn over my friend from Michigan for a further answer to my friend from Indiana. The Senator from Indiana says that the issue of the paper money under the law of 1870, the authority to grant new banks, was not expansion, because by the same law the 3 per cents were retired. He construes, therefore, the law of 1870 as

not inflating the currency at all. My friend from Michigan, I understand, regards it as expansion to the fullest extent of the amount of notes issued. I hope they will settle it between them.

Mr. MORTON. I would rather settle it just now.

Mr. SHERMAN. Not in my time.

Mr. FERRY, of Michigan. It is rather shutting us down.

Mr. SHERMAN. Mr. President, I want to get through.

The PRESIDENT *pro tempore*. The Senator from Ohio declines to yield.

Mr. SHERMAN. I suppose the Senators who advise more paper money will settle this matter in a private conference.

There is another view I wish to take of this plan of expansion. If you issue the proposed three sixty-five convertible bonds, what will they be worth? I see here some New York bankers. They have computed the value of these bonds before they are issued by the rule of three. A 5 per cent. bond is now practically par in gold. If a 5 per cent. bond is at par in gold, what would a three sixty-five gold bond be worth? Senators can answer that very quickly, because there is a reduction in value of one-third to commence with. If a 5 per cent. gold bond is only worth par, a three sixty-five gold bond would only be worth two-thirds of par. Then, if a three sixty-five gold bond is worth sixty-six cents on the dollar, what will a three sixty-five convertible paper bond be worth? That query will be put to every broker and banker in New York the very moment you authorize such a bond to be issued. They would measure your device by the gold standard before you issued it. They would quote a bond convertible and reconvertible into irredeemable paper money at its value in gold.

But, sir, there is one other reason why all these plans and all these schemes of more paper money ought not even to be debated here. An increase of paper money beyond four hundred millions would be a clear and palpable violation of the public faith. In the darkest hours of the war, when every patriot trembled, when our fate hung in the balance, when our armies were before Richmond, when our armies were on the march through Georgia to the sea, when everybody felt that the danger of inconvertible paper money was likely to strike us from the list of nations, when our paper money then outstanding had fallen so that it took $2.80 to buy one dollar in gold, gold being at a premium of 280, then it was that we entered into a stipulation with the public creditor, which is a part of the act of 1864, a part of the act under which we borrowed money and pledged the public faith. It was a solemn promise that under no circumstances, never would we issue more than four hundred millions of paper money and an additional reserve of fifty million dollars pledged to pay a debt then existing and which has since been paid.

Mr. SPRAGUE. That was under duress.

Mr. SHERMAN. From whom? My friend from Rhode Island suggests quietly that this pledge was under duress. No, Mr. President; the United States was never under duress except from the rebellion. Then it was under duress. But when we were under duress from rebellion in the Southern States we gave our sacred pledge to the men who helped us, to the men who loaned us money, to the capitalists, to the laborers, to the servants, to the women, to the children; yea, Senators, from every part of this broad land, every county and every town, every village and every hamlet, every man, woman, and child poured their little earnings into the stream that flowed into the national Treasury in the summer of 1864; and every dollar of the loan then made was made upon the faith of the sacred obliga-

tion of the United States that our paper money should never exceed $400,000,000.

Sir, I trust in God the day never will come when we shall violate that pledge, until we make those promises equal to par in gold. I will not acknowledge, with my friend from Rhode Island, that we were under duress. Certainly we were not under duress from the men, women, and children who loaned us money. They gave us the means by which we put down the people who were in arms against our Government, and, so help me God, I never will violate the faith pledged to them. The act of 1864 is known to every Senator. I will not read it. It is as plain and strong and clear as language could make it.

But, sir, we are told that to issue these three sixty-five bonds convertible into paper money will lower the rate of interest; and my friend from Indiana, with that happy faculty which he has of avoiding difficulties, says when you have a great deal of money, and issue more, does not that cheapen it? Is not the right way to cheapen money to issue more of it? If you had a great abundance of any commodity to sell would it not be cheaper? That is the argument. Well, sir, it will cheapen money to issue more. It will cheapen money as tested by the gold standard, and brokers will tell you every day how much it cheapens it. But who will it benefit to cheapen money? It will aid a man to pay a debt contracted upon a different basis, and to that extent will cheat the creditor.

Mr. MORTON. The Senator does not state the proposition correctly.

Mr. SHERMAN. I will give you time presently.

To the extent that it is paid in payment of a debt already due and payable, it will cheat the creditor and cheapen his debt; but it will not cheapen supplies, provisions, clothing, food, raiment. It may cheat the laboring man; for the laboring man may think it is the same money. He may take his two dollars a day just as he did before; but when he comes to spend those two dollars for the food that supplies his life, or for the clothing that comforts his children, he will find that somebody else is cheated, and he is the one. Sir, every effort whatever, every device to relieve needy men in distress or in debt, that will depreciate the currency, adds to the daily toil of laboring men, adds to the cost of food and clothing. Why, sir, Mr. Webster never uttered a grander truth in his life than that famous passage, which I have almost forgotten, but the substance of which is that the best way to enrich the rich man's field by the sweat of the poor man's brow is by the use of inconvertible paper money. No truth was ever more forcibly uttered.

But they tell us that it will lessen the rate of interest. Let us see. This is a matter of experience. We have had a slight experience in this country, and we have had the experience of other countries, and the fact is just the reverse—the more money is depreciated the higher is the rate of interest. I have some knowledge of this by my own experience. I remember the panics that have occurred in this country since 1837. I recall to the recollection of my friend from Iowa what took place in his own State in 1857. I was in that beautiful State in the spring of 1857. The people were rich, abounding in riches, fanciful riches; money was plenty. One man had made a profit of 100 per cent. on a piece of land that he had never seen and had owned but three months. Another had laid out a town and was selling lots at fabulous prices. Everybody was rich; paper money was abundant—wild-cat paper money; all kinds of money. Good money was there, too, gold as well as paper. Interest was 40 per cent., and many told me that they

could make money by borrowing at 40 per cent. They offered to give me 40 per cent. for money to buy land with within five miles of a settlement. Everybody was rich; interest high; times were glorious. In August the failure of the Ohio Life Insurance and Trust Company burst the bubble. The money that was loaned upon that interest was not paid, and the men who were dealing in these high-blown speculations "went up the spout," to use a common phrase. So it was in the panic of 1837. Upon this point I could read you what is said by Mr. Mill; but that is mere "platitude;" that is only the experience of the past, of old men of a different day and generation. I could read you from many books. I could read you the story of the South Sea bubble, when securities went up and interest was 100 per cent. So in all times which precede a financial panic, when people think they are prosperous, when they make money by marking up their goods, interest is enormously high. Sir, the experience of mankind proves that interest is higher under a depreciated paper money than it is under a gold standard. Is it worth while to waste more time to show the utter fallacy of the allegation that more money would cheapen interest?

But it is said that the recent panic was caused by the want of money, by the want of more paper money; and paper money for what? To build remote railroads, to carry out schemes for the future, to engage in speculative enterprises. The money of the country and the capital of the country was absorbed in unproductive industry. Therefore it was that the blow fell and destroyed a great many good men. But how is it now? Why, sir, at this moment money is easier to be had in the city of New York than it has been for years by persons who are engaged in ordinary commercial business, where the circumstances that surround them inspire confidence and credit. The same money that was in circulation before the panic is in circulation now, and more. Sir, this is not a currency panic. It has no connection with our currency. Such panics have occurred in Great Britain and the United States in specie-paying times. It was simply caused by unproductive investments. The currency is good, only lacking one quality to make it better; that is, if it was as good as gold it would then be the best. It is secure. Nor was it a bank panic, I will say, for the relief of my friend from Indiana; for I am glad to agree with him on one or two things. The banks have stood the panic very well. With the exception of four or five, the national banks have not failed; and not one has failed unless by a clear violation of the law of its organization. Not one that has been brought to my attention has failed except by the use of the bank by the owners in loans and investments prohibited by the national-currency act.

Mr. WEST. Is suspension to pay deposits a failure?

Mr. SHERMAN. Yes; but this suspension was the result but not the cause of the panic. It was justified by the same circumstances that would authorize the increase of the amount of notes of the Bank of England in violation of law. The banks did suspend payments; and that only proved the truth of what I said a while ago, that no plan of redemption would be wise and good unless it has some provision for just such panics. There must be times when banks are compelled to use their reserves, all their resources, and borrow themselves instead of being lenders, and provision should be made for such times. The banks did commit an act of justifiable bankruptcy when they refused to pay their depositors; but that was temporary—a bending before the storm. They rapidly accumulated and gathered in their resources, as the Bank of England would under like circumstances,

calling in their loans and denying loans to their customers, and are now in a stronger condition than ever. They now have a greater reserve than they had before the panic.

Mr. President, the condition of our currency has no relation whatever to the panic that passed over the country.

Mr. MORTON. That is a very important admission.

Mr. SHERMAN. In my judgment it is true, and is perfectly consistent with my argument. At this time, when nearly all debts have been settled; when the panic has swept away many fortunes; when we now have all the money that ever was afloat; when confidence is restored; when the price of every commodity is advanced to the price it was before the panic—now is the golden moment when we should take a step in the right direction to make our money equal to gold. I never have charged the panic upon the currency. Indeed I was the first in the midst of the panic to declare that the currency had no connection with the panic. The money was secure; it was good, only that it was not as good as gold. That was the only fault to be found with it. Men hoarded it. That added fuel to the fire and fed the panic. Its origin, like the panic of 1866 in Great Britain, was in the absorption of capital in unproductive enterprises. The want of confidence created by the failure of great houses gave the first alarm; then came the withdrawal of deposits, the depletion of the banks, the suspension of the banks. Then laborers began to be discharged, productive industry began to be stopped; but in a short time the ordinary business of the country was resumed, when people found that they were not all broke. It was the old, old story repeated periodically, arising from different causes, but having the same history and results. These panics are but the ebb and flow of great enterprises. They start with reviving prosperity; they grow with expanding hope and energy; they culminate with enterprises too great for the time, and the blind, unreasoning fear that springs from the failure of these enterprises does in the panic more harm and causes more destruction of values than the injury done by failures. No action of ours can prevent these panics. All we can do is to improve the opportunity offered us to place the public faith of our country on an enduring foundation.

I again appeal to the Senate to now firmly take its stand against any inflation of paper money under any circumstances, under any provocation, or any plea. This alone will do a great good to the country. But if it will go further—if the Senate will lead the way to some wise and practical measure, looking to a redemption of the pledged faith of the United States, the people we represent will have cause to be proud of the political body which they have so long honored. I believe, sir, that no act of the Senate would so much inspire confidence, give strength to our business men, revive our industry, as by a decided vote on these propositions to show that our firm purpose is to take the road that leads to specie payments and a restored currency.

Sir, I have been many years here and in the other House, during long and troublesome controversies, during peace and war, and I for one desire to see the work of our generation crowned by the greatest of civic triumphs, that of performing every promise, and to leave the nation without dishonor; its promises good, its credit untarnished, its wealth and power increasing and expanding.